



SCHEDULE A

AN ANNUAL BUDGET AND SUPPORTING DOCUMENTATION

ANNUAL BUDGET OF
HIBISCUS COAST
MUNICIPALITY

2012/13 TO 2014/15
MEDIUM TERM REVENUE AND
EXPENDITURE FORECASTS

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Table of Contents

ANNEXURE	
PART 1 – ANNUAL BUDGET	2
1.1 MAYOR’S REPORT	5
1.2 COUNCIL RESOLUTIONS	6
1.3 EXECUTIVE SUMMARY	7
1.3 OPERATING REVENUE FRAMEWORK	8
1.4 OPERATING EXPENDITURE FRAMEWORK	14
1.5 CAPITAL EXPENDITURE	17
1.6 ANNUAL BUDGET TABLES - PARENT MUNICIPALITY	18
PART 2 – SUPPORTING DOCUMENTATION	30
2.1 OVERVIEW OF THE ANNUAL BUDGET PROCESS	30
2.2 OVERVIEW OF ALIGNMENT OF ANNUAL BUDGET WITH IDP	33
2.3 MEASURABLE PERFORMANCE OBJECTIVES AND INDICATORS	38
2.4 OVERVIEW OF BUDGET RELATED-POLICIES	40
2.5 OVERVIEW OF BUDGET ASSUMPTIONS	41
2.6 OVERVIEW OF BUDGET FUNDING	43
2.7 EXPENDITURE ON GRANTS AND RECONCILIATIONS OF UNSPENT FUNDS	47
2.8 COUNCILLOR AND EMPLOYEE BENEFITS	49
2.9 LEGISLATION COMPLIANCE STATUS	57
2.10 QUALITY CERTIFICATE	58

List of Tables

Table 1 Consolidated Overview of the 2012/13 MTREF	8
Table 2 Summary of revenue classified by main revenue source	9
Table 3 Revenue Source Percentage of the total revenue	9
Table 4 Operating Transfers and Grant Receipts	10
Table 5 Comparison of proposed rates to levied for the 2012/13 financial year	12
Table 6 Comparison between current electricity charges and increases	13
Table 7 Comparison between current waste removal and increases	14
Table 8 Summary of operating expenditure by standard classification item	15
Table 9 2012/13 Medium-term capital budget per funding	17
Table 10 MBRR Table A1 - Budget Summary	19
Table 11 MBRR Table A2 - Budgeted Financial Performance (revenue and expenditure by standard classification)	21
Table 12 MBRR Table A3 - Budgeted Financial Performance (revenue and expenditure by municipal vote)	22

Table 13 MBRR Table A4 - Budgeted Financial Performance (revenue and expenditure)	23
Table 14 MBRR Table A5 - Budgeted Capital Expenditure by vote, standard classification and funding source.....	25
Table 15 MBRR Table A6 - Budgeted Financial Position	27
Table 16 MBRR Table A9 - Asset Management.....	29
Table 17 IDP Strategic Objectives	34
Table 18 MBRR Table SA4 - Reconciliation between the IDP strategic objectives and budgeted revenue	37
Table 19 MBRR Table SA5 - Reconciliation between the IDP strategic objectives and budgeted operating expenditure.....	37
Table 20 MBRR Table SA7 - Reconciliation between the IDP strategic objectives and budgeted capital expenditure.....	37
Table 21 MBRR Table SA8 - Performance indicators and benchmarks.....	39
Table 22 Breakdown of the operating revenue over the medium-term	43
Table 23 Sources of capital revenue over the MTREF	45
Table 24 MBRR Table SA18 - Capital transfers and grant receipts	46
Table 25 MBRR SA19 - Expenditure on Grants.....	47
Table 26 MBRR SA20 - Reconciliation between of transfers, grant receipts and unspent funds.....	48
Table 27 MBRR SA22 - Summary of councillor and staff benefits	49
Table 28 MBRR SA23 - Salaries, allowances and benefits (political office bearers/councillors/ senior managers)	50
Table 29 MBRR SA26 - Budgeted monthly revenue and expenditure (municipal vote).....	53
Table 30 MBRR SA27 - Budgeted monthly revenue and expenditure (standard classification).....	51
Table 31 MBRR SA28 - Budgeted monthly capital expenditure (municipal vote)	54
Table 32 MBRR SA29 - Budgeted monthly capital expenditure (standard classification)	55
Table 33 MBRR SA34a - Capital expenditure on new assets by asset class.....	56

List of Figures

Figure 1 Main operational expenditure categories for the 2012/13 financial year	16
Figure 2 Planning, budgeting and reporting cycle	38
Figure 3 Sources of Capital Revenue for the 2012/2013	45
Figure 4 Breakdown of operating revenue over the 2012/13 MTREF	44
Figure 5 Sources of capital revenue for the 2012/13 financial year	45

Abbreviations and Acronyms

AMR	Automated Meter Reading	ℓ	litre
ASGISA	Accelerated and Shared Growth Initiative	LED	Local Economic Development
BPC	Budget Planning Committee	MEC	Member of the Executive Committee
CBD	Central Business District	MFMA	Municipal Financial Management Act Programme
CFO	Chief Financial Officer	MIG	Municipal Infrastructure Grant
MM	Municipal Manager	MMC	Member of Mayoral Committee
CPI	Consumer Price Index	MPRA	Municipal Properties Rates Act
CRRF	Capital Replacement Reserve Fund	MSA	Municipal Systems Act
DBSA	Development Bank of South Africa	MTEF	Medium-term Expenditure Framework
DoRA	Division of Revenue Act	MTREF	Medium-term Revenue and Expenditure Framework
DWA	Department of Water Affairs	NERSA	National Electricity Regulator South Africa
EE	Employment Equity	NGO	Non-Governmental organisations
EEDSM	Energy Efficiency Demand Side Management	NKPIs	National Key Performance Indicators
EM	Executive Mayor	OHS	Occupational Health and Safety
FBS	Free basic services	OP	Operational Plan
GAMAP	Generally Accepted Municipal Accounting Practice	PBO	Public Benefit Organisations
GDP	Gross domestic product	PHC	Provincial Health Care
GDS	Gauteng Growth and Development Strategy	PMS	Performance Management System
GFS	Government Financial Statistics	PPE	Property Plant and Equipment
GRAP	General Recognised Accounting Practice	PPP	Public Private Partnership
HR	Human Resources	PTIS	Public Transport Infrastructure System
HSRC	Human Science Research Council	RG	Restructuring Grant
IDP	Integrated Development Strategy	RSC	Regional Services Council
IT	Information Technology	SALGA	South African Local Government Association
kl	kilolitre	SAPS	South African Police Service
km	kilometre	SDBIP	Service Delivery Budget Implementation Plan
KPA	Key Performance Area	SMME	Small Micro and Medium Enterprises
KPI	Key Performance Indicator		
kWh	kilowatt		

Part 1 – Annual Budget

1.1 Mayor's Report

It is a privilege to stand before this house to table the final proposed budget for 2012/13. This day truly represents the last leg of a journey which has spanned several months, from the time since we tabled the very first draft budget on the 29th March of this year.

On that day we tabled a budget with a total value of value of R717,193,425; comprising of capital projects totalling R138 , 497,004 and an operating budget of R578,696,421.

At the same time Mr Speaker and honourable councillors, we highlighted certain considerations which had influenced, and by and large shaped the content of the draft budget. Amongst these were:

- A consideration for the prevailing economic circumstances
- An alignment of our policies
- A focus on the municipality's powers and functions
- The provision for the re-structuring of the municipality's management structure in line with our vision for better efficiencies
- The introduction of a new Valuation Roll; and
- The national imperative to create jobs

As we concluded proceedings on that day, we invited all affected stakeholders to make submissions on the proposed budget document in order to further engage on the process as envisaged in various legislative prescripts governing local government.

When we met as this House on 12 April 2012 to begin the process of deliberations on the draft budget, we had by then begun receiving submissions from our internal stakeholders as well as from members of the public.

One of the written submissions was in the name of the Youth Committee of Council, wherein an appeal was made to re-consider the proposed allocation towards programmes of young people. It was a call that was also made in our deliberations from the floor on that day, and which we would also come across at several community meetings at a later stage.

We also spoke briefly on a submission which we had received from Mr CJ Scott of Ramsgate, wherein he raised critical policy issues in connection with the establishment of a new category of vacant land, as well as on the reduction of permissible rating from R100 000 to R15 000 for this category. He further cautioned Council to pay particular attention to the Valuation Roll in order to ensure its credibility and reliability.

Other submissions were made by parties represented in this house on that day, and which amongst others, culminated in our decision to go out to the general public and canvass their opinion as we sought to chart the way to a process of which all of us could justifiably claim ownership.

The process of the *izimbizo* consultative sessions took place between the month of April and early May in all of our seven municipal clusters. By and large the issues raised at these meetings were concerned with the capital budget, which is being tabled this morning with these considerations in mind.

Concurrent to this process, the municipality continued to receive written submissions on behalf of various ratepayers and homeowners associations. The area of major concern raised by these community organisations related to the new category of property in the form of gated communities. A strong argument was put forth for the requirement of some rebate for the affected sector.

It is my pleasure to report to this house Mr Speaker that after the chronology of events which I have briefly sketched, the following proposals are made in respect of the final budget:

The New Valuation Roll

As stated when we tabled the draft budget, the primary objective of this exercise is to create parity between the financial viability of the municipality and the need to protect those who are indigent, particularly as a consequence of historical imbalances of our past.

Of the over 42 000 properties which have been valued, about 1200 objections were received within the prescribed period. We anticipate that the process of objections, re-evaluations and compilation of the supplementary roll will have a positive impact on our rates income base. Hence the rates income has been adjusted upwards from R290 million to R301 million.

Closely linked to this is the matter of rebates. When we presented the draft budget Mr Speaker we had taken into consideration rates rebates for pensioners, indigent relief, the first R100 000 which is excluded from rates on residential property as well as the first R15 000 from rates on the new category of vacant land.

I must stress that the spirit of the policy with regards the rating of vacant land is to discourage the keeping of vacant plots and to encourage development. I am pleased to report to this house that in line with sentiments expressed during the process of public consultation, it is proposed that this rebate be increased to R50 000. Furthermore, the directorate is involved in on-going engagements with affected stakeholders, and final proposals on the matter will be tabled by the end of June. The net effect of this rebate will be an increase on income foregone from R32 million to R 35.9 million.

Electricity Tariff

The draft budget which we tabled had made provision for an increase of 16% in electricity tariffs whilst awaiting determination by NERSA. The determination of 11,3% as announced has required that our budget projections be adjusted from over R90 million to just above R86 million.

Verge maintenance contracts

In line with our service delivery mandate we had allocated R5, 5 million for verge maintenance. This figure is being adjusted to R6,050 million to accommodate existing contracts.

Youth Empowerment Programmes

As referred to earlier, several representations were received from various stakeholders to reconsider the proposed allocation for youth programmes.

When we delivered the draft budget in March, we also highlighted that in his State of the Nation address the President of the Republic had also singled out women, rural communities and youth as the most affected by the triple challenge of poverty, unemployment and inequality.

It is against this background that it is proposed that the budget for Youth Empowerment programmes be increased to R1 million. This is of course in addition to the Internship programme and the Back to School campaign.

Last but certainly not least Mr Speaker and honourable councillors, this Council has invested considerable energy and resources in our strategic vision to consolidate the position of Hibiscus Coast municipality as a premier tourist destination and the economic backbone of our region. In this regard Council took a resolution to revive the Hibiscus Coast Development Agency, an institution which is pivotal in unlocking development to advance the macro-economic projects which we must continue to pursue for the economic development of our region.

It is in line with this vision that Council has resolved to support the Ugu Jazz Festival and the International Women's Golf Tournament to the value of R300 000 and R1 million respectively in the next financial year's budget.

In as far as the Capital budget is concerned, our engagement with communities has yielded the addition of two new projects; a walkway to Hibiscus Mall for R600 000 and the refurbishment of the Margate beach ablutions to the value of R400 000.

The overall effect of all adjustments is that:

- The projected annual Operating budget increases to R578 696 421.00
- The proposed Capital budget is projected at R138 496 004

In total Mr Speaker, the budget we table in this house today is **R717 193 425.00**

As I conclude I wish to place on record sincere appreciation to everyone who has made a meaningful contribution to this process. The commitment and goodwill of this council, represented by both the political and administrative components, has ensured that we are able to table this budget within the stipulations of the MFMA and Municipal Budget and Reporting Regulations.

Congratulations

Cllr NCP Mqwebu

Mayor

1.2 Council Resolutions

On 29 May 2012 the Council of Hibiscus Coast Municipality met in the Council Chambers of the Hibiscus Coast Municipality to consider the annual budget of the municipality for the financial year 2012/13. The Council approved and adopted the following resolutions:

1. The Council of Hibiscus Coast Municipality, acting in terms of section 24 of the Municipal Finance Management Act, (Act 56 of 2003) approves and adopts:
 - 1.1. The annual budget of the municipality for the financial year 2012/13 and the multi-year and single-year capital appropriations as set out in the following tables:
 - 1.1.1. Budgeted Financial Performance (revenue and expenditure by standard classification) as contained in Table 11 on page 18 on page 21;
 - 1.1.2. Budgeted Financial Performance (revenue and expenditure by municipal vote) as contained in Table 12 on page 22;
 - 1.1.3. Budgeted Financial Performance (revenue by source and expenditure by type) as contained in Table 13 on page 23; and
 - 1.1.4. Multi-year and single-year capital appropriations by municipal vote and standard classification and associated funding by source as contained in Table 14 on page 25.
 - 1.2. The financial position and asset management are approved as set out in the following tables:
 - 1.2.1. Budgeted Financial Position as contained in Table 15 on page 27;
 - 1.2.2. Asset management as contained in Table 16 on page 29; and
2. The Council of Hibiscus Coast Municipality, acting in terms of section 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) approves and adopts with effect from 1 July 2010:
 - 2.1. The rates policy – as set out in Annexure 4,
 - 2.2. Customer care, credit control and debt collection – as set out in Annexure 5
 - 2.3. Budget policy – as set out in Annexure 6
 - 2.4. Tariff of charges and tariff policy- as set out in Annexure 7
 - 2.5. Indigent policy- as set out in Annexure 8

1.3 Executive Summary

The application of sound financial management principles for the compilation of the Hibiscus Coast Municipality's financial plan is essential and critical to ensure that the municipality remains financially viable and that municipal services are provided sustainability, economically and equitably to all communities.

The Hibiscus Coast Municipality's business and service delivery priorities were reviewed as part of this year's planning and budget process. Where appropriate, funds were transferred from low- to high-priority programmes so as to maintain sound financial stewardship. A critical review was also undertaken of expenditures on noncore and 'nice to have' items.

The municipality has embarked on implementing a range of revenue collection strategies to optimize the collection of debt owed by consumers. Furthermore, the municipality has undertaken various customer care initiatives to ensure the municipality truly involves all citizens in the process of ensuring a people lead government.

National Treasury's MFMA Circular No. 58 and 59 were used to guide the compilation of the 2012/13 MTREF.

The main challenges experienced during the compilation of the 2012/13 MTREF can be summarised as follows:

- The ongoing difficulties in the national and local economy;
- Aging and poorly maintained roads and electricity infrastructure;
- The need to reprioritise projects and expenditure within the existing resource envelope given the cash flow realities and declining cash position of the municipality;
- The increased cost and electricity (due to tariff increases from Eskom), which is placing upward pressure on service tariffs to residents. Continuous high tariff increases are not sustainable - as there will be point where services will no-longer be affordable;
- Wage increases for municipal staff that continue to exceed consumer inflation, as well as the need to fill critical vacancies;

The following budget principles and guidelines directly informed the compilation of the 2012/13 MTREF:

- The 2011/12 Adjustments Budget priorities and targets, as well as the base line allocations contained in that Adjustments Budget were adopted as the upper limits for the new baselines for the 2012/13 annual budget;
- Intermediate service level standards were used to inform the measurable objectives, targets and backlog eradication goals;
- Tariff and property rate increases should be affordable and should generally not exceed inflation as measured by the CPI, except where there are price increases in the inputs of services that are beyond the control of the municipality, for instance the cost of bulk water and electricity. In addition, tariffs need to remain or move towards being cost reflective, and should take into account the need to address infrastructure backlogs;
- There will be no budget allocated to national and provincial funded projects unless the necessary grants to the municipality are reflected in the national and provincial budget and have been gazetted as required by the annual Division of Revenue Act;
- The upper limit was set for the following items and allocations to these items had to be supported by a list and/or motivation setting out the intention and cost of the expenditure which was used to prioritise expenditures:
 - Special Projects;
 - Consultant Fees;
 - Furniture and office equipment;
 - Special Events;
 - Refreshments and entertainment;
 - Ad-hoc travelling; and
 - Subsistence, Travelling & Conference fees

In view of the aforementioned, the following table is a consolidated overview of the proposed 2012/13 Medium-term Revenue and Expenditure Framework:

Table 1 Consolidated Overview of the 2012/13 MTREF

Description	Adjustment Budget 2011/12	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
Total Operating Revenue	522,341,535	578,696,421	612,982,412	649,761,000
Total Operating Expenditure	522,341,535	578,696,421	612,982,412	649,761,000
<i>Surplus(Deficit) for the year</i>	–	–	–	–
Capital Expenditure	177,517,393	138,497,004	151,056,000	166,161,000

Total operating revenue has grown by 10.78 per cent or R56.3million for the 2012/13 financial year when compared to the 2011/12 Adjustments Budget. For the two outer years, operational revenue will increase by 6 per cent.

Total operating expenditure for the 2012/13 financial year has been appropriated at R578million and when compared to the 2011/12 Adjustments Budget, operational expenditure has grown by 10.78 per cent in the 2012/13 budget and by 6 for the respective outer years of the MTREF.

The capital budget of R138 million for 2012/13 is 21.98 per cent less when compared to the 2011/12 Adjustment Budget. The reduction is due to grants from Department of energy not being allocated in 2012/2013 and a reduction in housing grant from provincial department. A substantial portion of the capital budget will be funded from MIG, Housing over MTREF. The balance will be funded from internally generated funds.

1.4 Operating Revenue Framework

For Hibiscus Coast Municipality to continue improving the quality of services provided to its citizens it needs to generate the required revenue. In these tough economic times strong revenue management is fundamental to the financial sustainability of every municipality. The reality is that we are faced with development backlogs and poverty. The expenditure required to address these challenges will inevitably always exceed available funding; hence difficult choices have to be made in relation to tariff increases and balancing expenditures against realistically anticipated revenues.

The municipality's revenue strategy is built around the following key components:

- National Treasury's guidelines and macroeconomic policy;
- Growth in the municipality and continued economic development;
- Efficient revenue management, which aims to ensure a 95 per cent annual collection rate for property rates and other key service charges;
- Electricity tariff increases as approved by the National Electricity Regulator of South Africa (NERSA);
- Achievement of full cost recovery of specific user charges especially in relation to trading services;
- Determining the tariff escalation rate by establishing/calculating the revenue requirement of each service;
- The municipality's Property Rates Policy approved in terms of the Municipal Property Rates Act, 2004 (Act 6 of 2004) (MPRA);

- Increase ability to extend new services and recover costs;
- The municipality's Indigent Policy and rendering of free basic services; and
- Tariff policies of the municipality .

The following table is a summary of the 2012/13 MTREF (classified by main revenue source):

Table 2 Summary of revenue classified by main revenue source

Description	2008/9	2009/10	2010/11	Current Year 2011/12				2012/13 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
Revenue By Source										
Property rates	229,577	241,715	251,485	272,490	273,048	273,048	273,048	301,635	316,036	334,999
Property rates - penalties & collection charges	57	70	117	73	73	73	73	77	82	87
Service charges - electricity revenue	42,889	59,838	66,129	72,041	76,815	76,814	76,814	86,334	95,586	101,321
Service charges - refuse revenue	19,113	25,637	31,071	32,575	42,722	42,722	42,722	46,139	48,097	50,983
Rental of facilities and equipment	1,936	2,168	2,325	1,567	1,567	1,567	1,567	2,925	3,101	3,287
Interest earned - external investments	15,461	11,312	9,632	12,000	10,244	10,244	10,244	10,909	11,564	12,258
Interest earned - outstanding debtors	8,871	9,530	7,068	9,680	5,680	5,680	5,680	6,049	6,412	6,797
Fines	3,890	4,432	1,419	3,354	2,034	2,034	2,034	3,360	3,561	3,775
Licences and permits	4,137	5,119	5,841	5,768	5,768	5,768	5,768	5,680	6,020	6,382
Agency services	2,623	2,916	3,214	3,267	3,267	3,267	3,267	3,300	3,498	3,708
Transfers recognised - operational	52,831	71,914	70,295	83,737	87,107	87,107	87,107	95,398	101,121	107,189
Other revenue	10,257	14,503	9,433	30,328	14,018	14,018	14,018	16,889	17,902	18,976
Total Revenue (excluding capital transfers and contributions)	391,643	418,702	458,029	526,879	522,342	522,342	522,342	578,696	612,982	649,761

Table 3 Revenue source percentage of the total revenue

Description	Current Year 2011/12		2012/13 Medium Term Revenue & Expenditure Framework					
R thousand	Adjusted Budget	%	Budget Year 2012/13	%	Budget Year+1 2013/14	%	Budget Year+2 2014/15	%
Revenue By Source								
Property rates	273,048	52%	301,635	52%	316,036	52%	334,999	52%
Property rates - penalties & collection charges	73	0%	77	0%	82	0%	87	0%
Service charges - electricity revenue	76,815	15%	86,334	15%	95,586	16%	101,321	16%
Service charges - refuse revenue	42,722	8%	46,139	8%	48,097	8%	50,983	8%
Rental of facilities and equipment	1,567	0%	2,925	1%	3,101	1%	3,287	1%
Interest earned - external investments	10,244	2%	10,909	2%	11,564	2%	12,258	2%
Interest earned - outstanding debtors	5,680	1%	6,049	1%	6,412	1%	6,797	1%
Fines	2,034	0%	3,360	1%	3,561	1%	3,775	1%
Licences and permits	5,768	1%	5,680	1%	6,020	1%	6,382	1%
Agency services	3,267	1%	3,300	1%	3,498	1%	3,708	1%
Transfers recognised - operational	87,107	17%	95,398	16%	101,121	16%	107,189	16%
Other revenue	14,018	3%	16,889	3%	17,902	3%	18,976	3%
Total Revenue (excluding capital transfers and contributions)	522,342	100%	578,696	100%	612,982	100%	649,761	100%

In line with the formats prescribed by the Municipal Budget and Reporting Regulations, capital transfers and contributions are excluded from the operating statement, as inclusion of these revenue sources would distort the calculation of the operating surplus/deficit.

Revenue generated from rates and services charges forms a significant percentage of the revenue basket for the municipality . Rates , service charge revenues and grants operational comprise more than two thirds of the total revenue mix. In the 2012/13 financial year, revenue from rates, services charges and grants operational totalled R528 million or 91 per cent. This

growth can be mainly attributed to the increased share that the sale of electricity contributes to the total revenue mix, which in turn is due to rapid increases in the Eskom tariffs for bulk electricity. The above table excludes revenue foregone arising from discounts and rebates associated with the tariff policies of the Municipality.

Property rates is the first largest revenue source totalling 52 per cent or R301 million rand and increases to R334 million by 2014/15. The second and third largest sources is revenue from grants operational and electricity totalling 17 per cent or R95 million and 15 per cent or R86 million respectively. Other revenue which consists of various items such as income received from permits and licenses, building plan fees, connection fees, transport fees and advertisement fees. Departments have been urged to review the tariffs of these items on an annual basis to ensure they are cost reflective and market related.

Operating grants and transfers totals R95 million in the 2012/13 financial year and steadily increases to R107 million by 2013/14. The following table gives a breakdown of the various operating grants and subsidies allocated to the municipality over the medium term:

Table 4 Operating Transfers and Grant Receipts

Description	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue &		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year 2013/14	Budget Year 2014/15
RECEIPTS:									
Operating Transfers and Grants									
National Government:	43,716	54,813	72,245	79,084	79,084	79,084	87,682	94,224	101,260
Local Government Equitable Share	42,816	53,663	70,295	76,844	76,844	76,844	85,382	91,574	98,560
Finance Management	500	750	1,200	1,450	1,450	1,450	1,500	1,750	1,750
Municipal Systems Improvement	400	400	750	790	790	790	800	900	950
Provincial Government:	594	334	595	3,426	4,398	4,398	7,716	6,897	5,929
Provincial Museums	126	138	145	154	125	125	134	134	142
Provincial Libraries	79	96	186	3,273	3,273	3,273	3,578	2,759	1,543
Local Government Grant	389	100	264	–	1,000	1,000	4,004	4,004	4,244
Other grant providers:	925	2,705	1,843	–	264	264	–	–	–
Other Grants	925	2,705	1,843	–	264	264	–	–	–
Total Operating Transfers and Grants	45,235	57,852	74,682	82,510	83,745	83,745	95,398	101,121	107,189

Tariff-setting is a pivotal and strategic part of the compilation of any budget. When rates, tariffs and other charges were revised, local economic conditions, input costs and the affordability of services were taken into account to ensure the financial sustainability of the municipality.

National Treasury continues to encourage municipalities to keep increases in rates, tariffs and other charges as low as possible. Municipalities must justify in their budget documentation all increases in excess of the 6 per cent upper boundary of the South African Reserve Bank's inflation target. Excessive increases are likely to be counterproductive, resulting in higher levels of non-payment.

The percentage increases of Eskom bulk tariffs are far beyond the mentioned inflation target. Given that these tariff increases are determined by external agencies, the impact they have on the municipality's electricity and in these tariffs are largely outside the control of the municipality.

.Discounting the impact of these price increases in lower consumer tariffs will erode the municipality's future financial position and viability.

It must also be appreciated that the consumer price index, as measured by CPI, is not a good measure of the cost increases of goods and services relevant to municipalities. The basket of goods and services utilised for the calculation of the CPI consist of items such as food, petrol and medical services, whereas the cost drivers of a municipality are informed by items such as the cost of remuneration, bulk purchases of electricity, petrol, diesel, chemicals, cement etc. The current challenge facing the municipality is managing the gap between cost drivers and tariffs levied, as any shortfall must be made up by either operational efficiency gains or service level reductions. Within this framework the municipality has undertaken the tariff setting process relating to service charges as follows.

1.4.1 Property Rates

Property rates cover the cost of the provision of general services. Determining the effective property rate tariff is therefore an integral part of the municipality's budgeting process.

National Treasury's MFMA Circular No. 58 and 59 deals, inter alia with the implementation of the Municipal Property Rates Act, with the regulations issued by the Department of Co-operative Governance. These regulations came into effect on 1 July 2009 and prescribe the rate ratio for the non-residential categories, public service infrastructure and agricultural properties relative to residential properties. The implementation of these regulations was done in the previous budget process and the Property Rates Policy of the Municipality has been amended accordingly.

The following stipulations in the Property Rates Policy are highlighted:

- The first R15 000 of the market value of a property used for residential purposes is excluded from the rate-able value (Section 17(h) of the MPRA). In addition to this rebate, a further R85 000 reduction on the market value of a property will be granted in terms of the municipality's own Property Rates Policy;
- 100 per cent rebate will be granted to registered indigents and child headed household in terms of the Indigent Policy;
- For pensioners, physically and mentally disabled persons whose household income equal 2 state pensions, 4 state pensions and 6 state pensions will receive a rebate of 60%,40and 20 % respectively.
- Indigent are exempt from paying rates if the value of the property is less than R290 000

The categories of rate-able properties for purposes of levying rates and the proposed rates for the 2012/13 financial year has not increased as a results of the implementation of new valuation roll in 1 July 2012 is contained below:

Table 5 Comparison of proposed rates to levied for the 2012/13 financial year

Category	Current Tariff (1 July 2011)	Proposed tariff (from 1 July 2012)
	c	C
Residential properties	0,007644	0,007644
Commercial	0,015288	0,015288
Industrial	0,015288	0,015288
Agriculture-Bona Fide	0,000764	0,000764
Agriculture-Mixed Use/Unused farm land	0,001911	0,001911
Institutional	0,003821	0,003821
Special Purpose	0,003821	0,003821
PSI Property	0,001911	0,001911
Vacant Land	0	0,015288
Carports/Garage	0,007644	0,007644
Mining	0,015288	0,015288
Communal	0,003822	0,003822
Guest Houses and Lodges	0,01151	0,01151

1.4.2 Sale of Electricity and Impact of Tariff Increases

NERSA has announced the revised bulk electricity pricing structure. A 16 per cent increase in the Eskom bulk electricity tariff to municipalities will be effective from 1 July 2012.

Considering the Eskom increases, the consumer tariff had to be increased by 11.03 per cent to offset the additional bulk purchase cost from 1 July 2012. Furthermore, it should be noted that given the magnitude of the tariff increase, it is expected to depress growth in electricity consumption, which will have a negative impact on the municipality's revenue from electricity.

The following table shows the impact of the proposed increases in electricity tariffs for domestic customers:

Table 6 Comparison between current electricity charges and increases (Domestic)

Monthly Consumption (kWh) Per Unit	Current Tariffs 2011/2012	Proposed Tariffs 2012/2013	Difference (Increase)	Percentage Change
KWH Per Unit 0-50	0.72	0.80	0.08	11%
KWH Per Unit 51-350	0.82	0.91	0.09	11%
KWH Per Unit 351-600	1.03	1.24	0.11	11%
KWH Per Unit 600 and more	1.10	1.44	0.13	11%
Service charge not exceeding 100kva	261.16	289.89	28.73	11%
Maximum demand charge	44.33	49.21	4.88	11%
Charge per kW(High):Peak	1.32	1.46	0.14	11%
Standard	0.55	0.61	0.06	11%
Off peak	0.32	0.35	0.03	11%
Charge per kW(Low):Peak	0.89	0.98	0.10	11%
Standard	0.50	0.55	0.05	11%
Off peak	0.28	0.32	0.03	11%

1.4.3 Waste Removal and Impact of Tariff Increases

Currently solid waste removal is operating at a deficit. It is widely accepted that the rendering of this service should at least break even, which is currently not the case. The municipality will have to implement a solid waste strategy to ensure that this service can be rendered in a sustainable manner over the medium to long-term. The main contributors to this deficit are maintenance on vehicles, increases in general expenditure such as petrol and diesel and the cost of remuneration. Considering the deficit, it is recommended that a comprehensive investigation into the cost structure of solid waste function be undertaken, and that this include investigating alternative service delivery models.

An 8 per cent increase in the waste removal tariff is proposed from 1 July 2012. and any increase higher than 9 per cent would be counter-productive and will result in affordability challenges for individual rates payers raising the risk associated with bad debt.

The following table compares current and proposed amounts payable from 1 July 2012:

Table 7 Comparison between current waste removal fees and increases

Description	Current Tariffs 2011/2012	Proposed Tariffs 2012/2013	Differene (Increase)	Percenta ge Change
Refuse removals Category 7 exempt institutions	871.79	941.53	69.74	8%
Category 1 properties to a maximum of 5 bins/liner per removal	871.79	941.53	69.74	8%
Upliftment of commercial, industrial and mining sector p.a:				
Upliftment once a week	1,710.95	1,847.83	136.88	8%
Upliftment twice a week	3,421.90	3,695.65	273.75	8%
Upliftment three times a week	5,132.85	5,543.48	410.63	8%
Upliftment seven times a week	11,976.65	12,934.78	958.13	8%
Placing of industrial skip containers	444.96	480.56	35.60	8%
Removal of industrial skip containers	362.81	391.83	29.02	8%
Rental of skip per month	27.00	29.16	2.16	8%

1.5 Operating Expenditure Framework

The Municipality's expenditure framework for the 2012/13 budget and MTREF is informed by the following:

- Balanced budget constraint (operating expenditure should not exceed operating revenue) unless there are existing uncommitted cash-backed reserves to fund any deficit;
- Funding of the budget over the medium-term as informed by Section 18 and 19 of the MFMA;
- Operational gains and efficiencies will be directed to funding the capital budget and other core services; and
- Strict adherence to the principle of *no project plan no budget*. If there is no business plan no funding allocation can be made.

The following table is a high level summary of the 2012/13 budget and MTREF (classified per main type of operating expenditure):

:

Table 8 Summary of operating expenditure by standard classification item

Description	2008/9	2009/10	2010/11	Current Year 2011/12		2012/13 Medium Term Revenue &		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
Expenditure By Type								
Employee related costs	155,557	193,211	218,859	205,174	208,486	242,651	255,030	270,332
Remuneration of councillors	13,042	13,932	14,613	17,467	17,467	18,223	19,317	20,476
Debt impairment	11,339	6,057	4,953	3,231	3,231	2,532	2,684	2,845
Depreciation & asset impairment	26,613	42,548	43,487	45,965	45,965	48,652	51,572	54,666
Finance charges	2,480	1,835	3,714	5,054	5,054	3,477	3,686	3,907
Bulk purchases	27,192	35,870	45,912	58,929	55,618	64,517	68,388	72,491
Repairs and Maintenance	29,490	24,255	25,565	27,251	25,450	31,533	33,425	35,430
Contracted services	17,652	16,439	18,369	16,074	15,054	23,547	18,853	19,984
Transfers and grants	6,345	17,598	6,967	7,960	7,360	4,040	4,108	4,181
General Expenditure	88,400	87,402	226,723	139,774	138,657	139,524	155,921	165,450
Total Expenditure	378,110	439,146	609,163	526,878	522,342	578,696	612,982	649,761

The budgeted allocation for employee related costs for the 2012/13 financial year totals R242 million, which equals 41.9 per cent (Excluding remuneration of councillors) of the total operating expenditure. The salary increases have been factored into this budget at a percentage increase of 7 per cent for the 2012/13 financial year and also it must be noted that there are other line items within employee costs e.g overtime, standby allowances, salaries temps, pension funds contributions which were not kept at 7 per cent increase as compared to basic salary increase. An annual increase of 7 per cent has been included in the two outer years of the MTREF.

The cost associated with the remuneration of councillors is determined by the Minister of Co-operative Governance and Traditional Affairs in accordance with the Remuneration of Public Office Bearers Act, 1998 (Act 20 of 1998). The most recent proclamation in this regard has been taken into account in compiling the municipality's budget.

Provision for depreciation and asset impairment has been informed by the Municipality's Asset Management Policy. Depreciation is widely considered a proxy for the measurement of the rate asset consumption. Budget appropriations in this regard total R48,6 million for the 2012/13 financial and equates to 8 per cent of the total operating expenditure. Note that the implementation of GRAP 17 accounting standard has meant bringing a range of assets previously not included in the assets register onto the register. This has resulted in a significant increase in depreciation relative to previous years.

Bulk purchases are directly informed by the purchase of electricity from Eskom. The annual price increases have been factored into the budget appropriations and directly inform the revenue provisions.

Repairs and maintenance comprises of amongst others the purchase of fuel, diesel, materials for maintenance, potholes, cleaning materials and chemicals. In line with the municipality's repairs and maintenance plan this group of expenditure has been prioritised to ensure sustainability of the municipality's infrastructure. For 2012/13 the appropriation against this group of expenditure equals 5 per cent (R31,5 million).

Contracted services equals 4 per cent of the expenditure budget and has been budgeted at R23.5 million. For the two outer years growth has been limited to 6 per cent.

Other expenditure comprises of various line items relating to the daily operations of the municipality. This group of expenditure has also been identified as an area in which cost savings and efficiencies can be achieved.

The following table gives a breakdown of the main expenditure categories for the 2012/13 financial year.

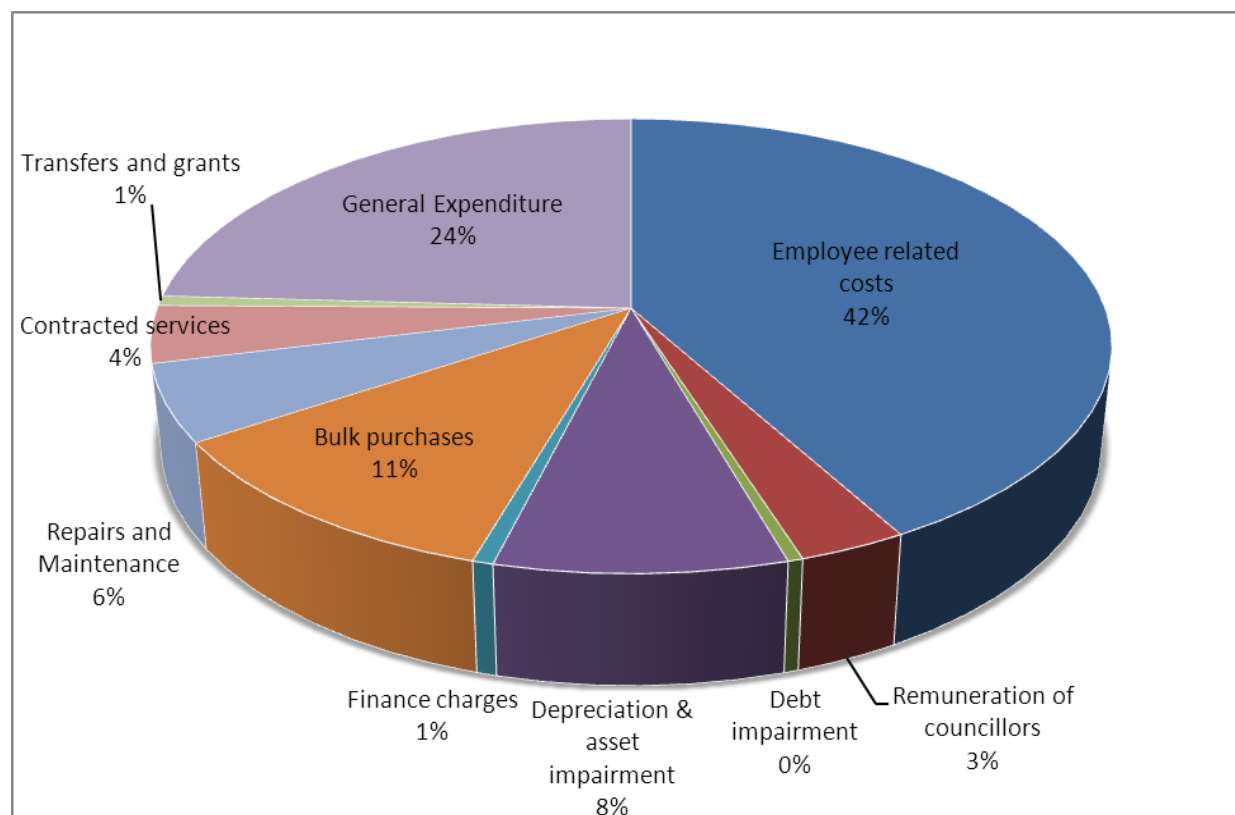


Figure 1 Main operational expenditure categories for the 2012/13 financial year

1.5.1 Free Basic Services: Basic Social Services Package

The social package assists households that are poor or face other circumstances that limit their ability to pay for services. To receive these free services the households are required to register in terms of the municipality's Indigent Policy and a process reviewed annually.

The cost of the social package of the registered indigent households is largely financed by national government through the local government equitable share received in terms of the annual Division of Revenue Act.

1.6 Capital expenditure

The following table provides a breakdown of budgeted capital expenditure by vote:

Table 9 2012/13 Medium-term capital budget funding

Description		2012/13 Medium Term Revenue & Expenditure Framework		
		Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
R thousand	Adjusted Budget			
Funded by:				
National Government	53,493	30,687	47,476	52,354
Provincial Government	73,772	67,636	59,388	65,196
Transfers recognised - capital	127,266	98,323	106,864	117,550
Borrowing	14,888	–	–	–
Internally generated funds	35,364	40,174	44,192	48,611
Total Capital Funding	177,517	138,497	151,056	166,161

For 2012/13 an amount of R138 million has been appropriated for the capital budget. Housing receives the highest allocation of R67 million in 2012/13 which equates to 49 per cent followed by other infrastructure related projects such as roads, crèches and others. An amount of R6.7 million has also been allocated for departmental capital

Some of the salient projects to be undertaken over the medium-term includes, amongst others:

- Housing – R67.6 million;
- Roads rehabilitation urban – R4.2 million;
- Roads rehabilitation – R4.2 million;
- Crèches – R7.2 million;
- Roads – R4.9 million;
- Streetlights – R4.8 million;
- Sports fields – R4.3 million;
- Community Halls – R9.7 million;
- Storm water urban – R1.5 million;
- Storm water rural – R1.5 million;
- Other infrastructure related – R9 million
- Departmental Capital – R6.7 million;
- Walkways – R1.4 million;

Annual Budget Tables

The following are the main budget tables as required in terms of section 8 of the Municipal Budget and Reporting Regulations.

Table 10 MBRR Table A1 - Budget Summary

Description	2008/9	2009/10	2010/11	Current Year 2011/12				2012/13 Medium Term Revenue & Expenditure Framework		
R thousands	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
Financial Performance										
Property rates	200,582	211,333	220,641	272,563	273,121	273,121	273,121	301,635	316,118	335,085
Service charges	62,003	85,475	97,200	104,616	119,537	119,537	119,537	132,473	143,683	152,304
Investment revenue	15,461	11,312	9,632	12,000	10,244	10,244	10,244	10,909	11,564	12,258
Transfers recognised - operational	52,831	71,914	70,295	83,737	83,737	83,737	83,737	95,398	101,121	107,189
Other own revenue	31,715	38,678	38,028	53,962	35,703	35,703	35,703	38,281	40,495	42,925
Total Revenue (excluding capital transfers and contributions)	362,591	418,712	435,796	526,878	522,342	522,342	522,342	578,696	612,982	649,761
Employee costs	155,557	193,211	218,859	205,174	208,486	208,486	208,486	242,651	255,030	270,332
Remuneration of councillors	13,042	13,932	14,613	17,467	17,467	17,467	17,467	18,223	19,317	20,476
Depreciation & asset impairment	26,613	42,548	43,487	45,965	45,965	45,965	45,965	48,652	51,572	54,666
Finance charges	2,480	1,835	3,714	5,054	5,054	5,054	5,054	3,477	3,686	3,907
Materials and bulk purchases	56,682	60,125	71,477	86,180	81,068	81,068	81,068	96,049	101,812	107,921
Transfers and grants	6,345	17,598	6,967	4,560	4,460	4,460	4,460	4,040	4,108	4,181
Other expenditure	117,417	109,899	250,045	162,477	159,841	159,842	159,842	165,603	177,457	188,279
Total Expenditure	378,135	439,147	609,163	526,878	522,342	522,342	522,342	578,696	612,982	649,761
Surplus/(Deficit)	(15,544)	(20,435)	(173,367)	0	0	-	-	0	(0)	(0)
Transfers recognised - capital	26,014	83,790	79,796	48,672	48,676	48,676	48,676	-	-	-
Contributions recognised - capital & contributed assets	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after capital transfers & contributions	10,470	63,355	(93,572)	0	0	0	0	0	-	-
Share of surplus/ (deficit) of associate	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) for the year	10,470	63,355	(93,572)	0	0	0	0	0	-	-
Capital expenditure & funds sources										
Capital expenditure	71,828	54,578	108,632	204,954	177,360	177,360	177,360	138,497	151,056	166,161
Transfers recognised - capital	30,340	19,740	88,622	151,554	124,166	124,166	124,166	98,423	109,638	122,257
Public contributions & donations	-	-	-	-	-	-	-	-	-	-
Borrowing	-	29,545	464	18,299	17,988	17,988	17,988	-	-	-
Internally generated funds	41,488	5,293	19,546	35,100	35,207	35,207	35,207	40,074	41,418	43,904
Total sources of capital funds	71,828	54,578	108,632	204,953	177,360	177,360	177,360	138,497	151,066	166,161
Financial position										
Total current assets	312,454	286,806	309,527	478,256	485,752	485,753	485,753	390,072	407,806	434,189
Total non current assets	781,124	887,156	810,188	593,690	650,236	650,236	650,236	778,474	825,183	874,694
Total current liabilities	249,292	198,468	184,411	241,994	243,394	243,394	243,394	206,083	218,448	231,555
Total non current liabilities	50,261	57,010	106,018	134,518	135,018	135,018	135,018	137,273	143,769	150,655
Community wealth/Equity	794,026	918,483	829,286	695,434	757,576	757,576	757,576	825,190	870,771	926,672
Cash flows										
Net cash from (used) operating	140,609	68,955	21,328	31,187	42,527	42,527	42,527	148,514	157,425	166,870
Net cash from (used) investing	(137,203)	66,832	(48,913)	(204,953)	(177,360)	(177,360)	(177,360)	(109,015)	(115,556)	(122,489)
Net cash from (used) financing	(4,876)	(37,957)	48,803	2,200	2,200	2,200	2,200	1,850	900	900
Cash/cash equivalents at the year end	11,718	109,548	130,765	(161,734)	(121,926)	(121,926)	(121,926)	23,973	66,742	112,023
Cash backing/surplus reconciliation										
Cash and investments available	235,134	191,494	207,712	352,934	357,803	357,803	357,803	286,596	303,792	322,019
Application of cash and investments	113,198	55,483	22,239	32,229	16,098	16,098	16,098	43,767	51,964	53,166
Balance - surplus (shortfall)	121,936	136,011	185,473	320,705	341,705	341,705	341,705	242,829	251,828	268,853
Asset management										
Asset register summary (WDV)	59,718	146,585	126,881	86,221	86,221	86,221	261,387	261,387	277,071	293,695
Depreciation & asset impairment	26,613	42,548	43,487	45,965	45,965	45,965	48,652	48,652	51,572	54,666
Renewal of Existing Assets	-	-	-	-	-	-	-	-	-	-
Repairs and Maintenance	-	-	-	-	-	-	-	-	-	-
Free services										
Cost of Free Basic Services provided	5,400	4,301	4,200	9,500	9,500	9,500	11,000	11,000	12,000	13,000
Revenue cost of free services provided	-	-	-	17,651	17,651	17,651	17,651	17,651	17,651	17,651

Explanatory notes to MBRR Table A1 - Budget Summary

1. Table A1 is a budget summary and provides a concise overview of the municipality's budget from all of the major financial perspectives (operating, capital expenditure, financial position, cash flow, and MFMA funding compliance).
2. The table provides an overview of the amounts approved by Council for operating performance, resources deployed to capital expenditure, financial position, cash and funding compliance, as well as the municipality's commitment to eliminating basic service delivery backlogs.
3. Financial management reforms emphasises the importance of the municipal budget being funded. This requires the simultaneous assessment of the Financial Performance, Financial Position and Cash Flow Budgets, along with the Capital Budget. The Budget Summary provides the key information in this regard:
 - a. The budget is balanced (The Total Revenue equals Total Expenditure)
 - b. Capital expenditure is balanced by capital funding sources, of which
 - i. Transfers recognised is reflected on the Financial Performance Budget;
 - ii. Internally generated funds is financed from a combination of the current operating surplus and accumulated cash-backed surpluses from previous years.
4. Even though the Council is placing great emphasis on securing the financial sustainability of the municipality, this is not being done at the expense of services to the poor. The section of Free Services shows that the amount spent on Free Basic Services and the revenue cost of free services provided by the municipality continues to increase. In addition, the municipality continues to make progress in addressing service delivery backlogs.

Table 11 MBRR Table A2 - Budgeted Financial Performance (revenue and expenditure by standard classification)

Standard Classification Description	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
<u>Revenue - Standard</u>									
<i>Governance and administration</i>	290,524	367,980	351,744	384,783	371,052	371,052	407,230	431,229	457,103
Executive and council	59,194	56,648	71,141	77,634	77,648	77,648	93,101	98,687	104,608
Budget and treasury office	227,068	306,679	278,042	304,301	290,556	290,556	310,571	328,771	348,497
Corporate services	4,262	4,653	2,561	2,848	2,848	2,848	3,558	3,771	3,997
<i>Community and public safety</i>	13,760	26,218	47,270	9,703	12,930	12,930	14,297	15,154	16,064
Community and social services	480	3,562	1,800	679	4,436	4,436	4,556	4,829	5,119
Sport and recreation	–	–	66	4,356	3,332	3,332	565	598	634
Public safety	6,124	7,625	1,256	168	662	662	4,241	4,495	4,765
Housing	6,965	11,531	40,762	–	–	–	107	113	120
Health	191	3,501	3,386	4,500	4,500	4,500	4,829	5,118	5,425
<i>Economic and environmental services</i>	15,947	19,565	16,155	17,220	17,859	17,859	16,299	17,276	18,313
Planning and development	8,976	11,521	3,474	4,651	5,290	5,290	7,017	7,438	7,884
Road transport	6,971	8,044	12,681	12,569	12,569	12,569	9,282	9,839	10,429
<i>Trading services</i>	65,013	85,473	97,200	115,159	120,500	120,500	136,327	144,507	153,177
Electricity	45,768	59,838	66,129	82,598	77,778	77,778	90,173	95,584	101,319
Waste management	19,245	25,636	31,071	32,561	42,722	42,722	46,154	48,923	51,858
<i>Other</i>	3,361	3,265	3,252	14	14	14	4,543	4,816	5,105
Total Revenue - Standard	388,605	502,502	515,621	526,879	522,341	522,341	578,696	612,982	649,761
<u>Expenditure - Standard</u>									
<i>Governance and administration</i>	128,205	168,027	303,517	193,636	189,280	189,280	204,734	217,018	230,040
Executive and council	75,243	86,605	152,598	98,018	94,967	94,967	101,416	107,501	113,951
Budget and treasury office	35,317	59,086	129,097	75,842	75,842	75,842	75,304	79,822	84,611
Corporate services	17,645	22,336	21,822	19,776	18,471	18,471	28,015	29,696	31,477
<i>Community and public safety</i>	62,365	61,996	83,337	45,860	59,556	59,556	120,359	127,581	135,235
Community and social services	28,782	29,612	37,329	11,256	35,763	35,763	11,988	12,707	13,470
Sport and recreation	–	–	614	–	–	–	27,769	29,435	31,201
Public safety	21,520	24,419	28,115	25,943	14,687	14,687	57,787	61,254	64,929
Housing	6,005	–	8,688	–	–	–	5,942	6,298	6,676
Health	6,058	7,965	8,591	8,661	9,106	9,106	16,874	17,886	18,960
<i>Economic and environmental services</i>	41,178	68,673	72,828	53,935	65,353	65,353	69,486	73,655	78,074
Planning and development	11,174	38,225	18,628	19,843	20,871	20,871	24,029	25,470	26,999
Road transport	30,004	30,448	54,200	34,092	44,482	44,482	45,457	48,184	51,076
<i>Trading services</i>	143,323	137,211	144,632	229,942	205,027	205,027	180,020	190,385	201,809
Electricity	62,585	54,775	55,966	70,302	66,404	66,404	76,248	80,823	86,795
Waste management	80,738	82,436	88,666	159,640	138,623	138,623	103,772	109,562	115,014
<i>Other</i>	3,065	3,240	4,880	3,507	3,125	3,125	4,097	4,343	4,603
Total Expenditure - Standard	378,135	439,147	609,193	526,880	522,341	522,341	578,696	612,982	649,761
Surplus/(Deficit) for the year	10,470	63,355	(93,573)	(1)	–	–	(0)	0	(0)

Explanatory notes to MBRR Table A2 - Budgeted Financial Performance (revenue and expenditure by standard classification)

1. Table A2 is a view of the budgeted financial performance in relation to revenue and expenditure per standard classification. The modified GFS standard classification divides the municipal services into 15 functional areas. Municipal revenue, operating expenditure and capital expenditure are then classified in terms of each of these functional areas which enables the National Treasury to compile 'whole of government' reports.
2. Note the Total Revenue on this table includes capital revenues (Transfers recognised – capital) and so does not balance to the operating revenue shown on Table A4.
3. Note that as a general principle the revenues for the Trading Services should exceed their expenditures. The table highlights that this is the case for Electricity functions, but not the Waste management function. As already noted above, the municipality will be undertaking a detailed study of this function to explore ways of improving efficiencies and provide a basis for re-evaluating the function's tariff structure.
4. Other functions that show a deficit between revenue and expenditure are being financed from rates revenues and other revenue sources.

Table 12 MBRR Table A3 - Budgeted Financial Performance (revenue and expenditure by municipal vote)

Vote Description	2008/9	2009/10	2010/11	Current Year 2011/12		2012/13 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
R thousand								
Revenue by Vote								
Vote 1 - COUNCIL	57,762	142,083	104,000	112,554	108,067	92,302	97,404	103,249
Vote 2 - MUNICIPAL MANAGER	1,541	650	750	790	790	800	848	899
Vote 4 - TREASURY	221,168	280,902	285,675	286,765	286,765	310,571	329,206	348,958
Vote 5 - CORPORATE SERVICES	6,965	1,168	1,390	1,400	1,400	3,558	3,771	3,997
Vote 6 - HUMAN SETTLEMENT & INFRASTRUCTURE	45,768	53,258	69,936	69,206	69,206	90,282	95,699	101,440
Vote 7 - LOCAL ECONOMIC DEVELOPMENT	–	3,109	120	125	125	4,140	4,389	4,652
Vote 8 - TOWN PLANNING	2,925	3,295	3,354	3,360	3,360	2,876	3,049	3,232
Vote 9 - PROTECTION SERVICES	16,432	14,401	16,079	16,892	16,892	18,066	19,150	20,299
Vote 10 - COMMUNITY & SOCIAL SERVICES	16,799	3,601	4,495	4,038	4,638	9,949	10,546	11,179
Vote 11 - CLEANSING & MAINTENANCE	19,245	35	29,822	31,099	31,099	46,151	48,920	51,855
Total Revenue by Vote	388,605	502,502	515,622	526,828	522,341	578,696	612,980	649,761
Expenditure by Vote to be appropriated								
Vote 1 - COUNCIL	73,239	130,359	298,379	78,546	78,546	91,452	96,504	102,294
Vote 2 - MUNICIPAL MANAGER	22,102	12,125	14,521	16,535	16,535	16,884	17,897	18,971
Vote 4 - TREASURY	35,317	59,086	66,107	67,890	67,890	75,304	79,822	84,611
Vote 5 - CORPORATE SERVICES	4,784	22,069	24,937	26,120	26,120	28,015	29,696	31,477
Vote 6 - HUMAN SETTLEMENT & INFRASTRUCTURE	62,584	77,353	88,668	93,014	93,014	121,235	128,509	136,219
Vote 7 - LOCAL ECONOMIC DEVELOPMENT	4,249	8,854	5,758	5,801	5,801	10,118	10,725	11,368
Vote 8 - TOWN PLANNING	6,925	9,471	12,058	13,901	13,901	13,911	14,746	15,631
Vote 9 - PROTECTION SERVICES	92,266	50,868	58,754	63,413	63,413	68,298	72,396	76,739
Vote 10 - COMMUNITY & SOCIAL SERVICES	32,135	35,518	36,335	53,089	53,181	56,631	60,028	63,630
Vote 11 - CLEANSING & MAINTENANCE	44,534	33,444	3,676	108,548	103,940	96,850	102,661	108,820
Total Expenditure by Vote	378,135	439,146	609,193	526,858	522,341	578,696	612,982	649,761
Surplus/(Deficit) for the year	10,470	63,355	(93,571)	(30)	(0)	(0)	(0)	(0)

Table 13 MBRR Table A4 - Budgeted Financial Performance (revenue and expenditure)

Description	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
Revenue By Source									
Property rates	200,525	211,264	220,524	272,490	273,048	273,048	301,635	316,036	334,999
Property rates - penalties & collection charges	57	70	117	73	73	73	77	82	87
Service charges - electricity revenue	42,889	59,838	66,129	72,041	76,815	76,815	86,334	95,586	101,321
Service charges - refuse revenue	19,113	25,637	31,071	32,575	42,722	42,722	46,139	48,097	50,983
Rental of facilities and equipment	1,936	2,168	2,325	1,567	1,567	1,567	2,925	3,101	3,287
Interest earned - external investments	15,461	11,312	9,632	12,000	10,244	10,244	10,909	11,564	12,258
Interest earned - outstanding debtors	8,871	9,530	7,068	9,680	5,680	5,680	6,049	6,412	6,797
Fines	3,890	4,432	1,419	3,354	2,034	2,034	3,360	3,561	3,775
Licences and permits	4,137	5,119	5,841	5,768	5,768	5,768	5,680	6,020	6,382
Agency services	2,623	2,916	3,214	3,267	3,267	3,267	3,300	3,498	3,708
Transfers recognised - operational	52,831	71,914	70,295	83,737	87,107	87,107	95,398	101,121	107,189
Other revenue	10,257	14,503	9,433	30,327	14,017	14,017	16,889	17,902	18,976
Gains on disposal of PPE	-	10	8,728	-	-	-	-	-	-
Total Revenue (excluding capital transfers and contributions)	362,591	418,712	435,796	526,879	522,342	522,342	578,696	612,982	649,761
Expenditure By Type									
Employee related costs	155,557	193,211	218,859	205,174	208,486	208,486	242,651	255,030	270,332
Remuneration of councillors	13,042	13,932	14,613	17,467	17,467	17,467	18,223	19,317	20,476
Debt impairment	11,339	6,057	4,953	3,231	3,231	3,231	2,532	2,684	2,845
Depreciation & asset impairment	26,613	42,548	43,487	45,965	45,965	45,965	48,652	51,572	54,666
Finance charges	2,480	1,835	3,714	5,054	5,054	5,054	3,477	3,686	3,907
Bulk purchases	27,192	35,870	45,912	58,929	55,618	55,618	64,517	68,388	72,491
Other materials	29,490	24,255	25,565	27,251	25,450	25,450	31,533	33,425	35,430
Contracted services	17,652	16,439	18,369	16,074	15,054	15,054	23,547	18,853	19,984
Transfers and grants	6,345	17,598	6,967	7,960	7,360	7,360	4,040	4,108	4,181
Other expenditure	88,400	86,764	226,723	139,774	138,657	138,657	139,524	155,921	165,450
Loss on disposal of PPE	26	638	-	-	-	-	-	-	-
Total Expenditure	378,135	439,147	609,163	526,879	522,342	522,342	578,696	612,982	649,761
Surplus/(Deficit)	(15,544)	(20,435)	(173,367)	(48,672)	(48,675)	(48,675)	(0)	(0)	(0)
Transfers recognised - capital	26,014	83,790	79,796	48,672	48,676	48,676	-	-	-
Contributions recognised - capital	-	-	-	-	-	-	-	-	-
Contributed assets	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after capital transfers & contributions	10,470	63,355	(93,572)	-	-	-	-	-	-
Taxation	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after taxation	10,470	63,355	(93,572)	-	-	-	-	-	-
Attributable to minorities	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) attributable to municipality	10,470	63,355	(93,572)	-	-	-	-	-	-
Share of surplus/ (deficit) of associate	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) for the year	10,470	63,355	(93,572)	-	-	-	-	-	-

Explanatory notes to Table A4 - Budgeted Financial Performance (revenue and expenditure)

1. Total revenue is R578 million in 2012/13 and escalates to R649 million by 2014/15. This represents a year-on-year increase of 5.86 per cent for the 2013/14 financial year and 5.995 per cent for the 2014/15 financial year.
2. Revenue to be generated from property rates is R301 million (Excluding rebates) in the 2012/13 financial year and increases to R334 million by 2014/15 which represents 52 per cent of the operating revenue base of the municipality and therefore remains a significant funding source for the municipality. It remains relatively constant over the medium-term and tariff increases have been factored in at 6 per cent, for each of the respective financial years of the MTREF.
3. Services charges relating to electricity and refuse removal constitutes the biggest component of the revenue basket of the municipality totalling R132 million for the 2012/13 financial year and increasing to R152 million by 2014/15. For the 2012/13 financial year services charges amount to 22 per cent of the total revenue base. This growth can mainly be attributed to the increase in the bulk prices of electricity.
4. Transfers recognised – operating includes the local government equitable share and other operating grants from national and provincial government. It needs to be noted that in real terms the grants receipts from national government are growing rapidly over the MTREF for the two outer years.
5. Bulk purchases have significantly increased over the 2008/2009 to 2014/15 period escalating from R27,1 million to R72.4 million. These increases can be attributed to the substantial increase in the cost of bulk electricity from Eskom.
6. Employee related costs and bulk purchases are the main cost drivers within the municipality and alternative operational gains and efficiencies will have to be identified to lessen the impact of wage and bulk tariff increases in future years.

Table 10 MBRR Table A5 - Budgeted Capital Expenditure by vote, standard classification and funding source

Vote Description	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
Single-year expenditure to be appropriated									
Vote 1 - COUNCIL	44,964	79,108	49,493	199,453	172,246	172,246	131,750	144,059	159,182
Vote 2 - MUNICIPAL MANAGER	134	91	135	147	129	129	124	127	134
Vote 3 - OPERATIONS	143	–	160	–	–	–	–	200	–
Vote 4 - TREASURY	1,536	84	181	310	543	543	212	200	212
Vote 5 - CORPORATE SERVICES	238	387	287	2	2	2	136	216	229
Vote 6 - HUMAN SETTLEMENT & INFRASTRUCTURE	13,228	11,561	1,501	1,251	1,158	1,158	1,299	1,316	1,378
Vote 7 - LOCAL ECONOMIC DEVELOPMENT	–	114	154	37	40	40	48	49	52
Vote 8 - TOWN PLANNING	61	58	74	308	172	172	171	174	177
Vote 9 - PROTECTION SERVICES	471	256	1,748	1,944	1,765	1,765	2,698	2,752	2,807
Vote 10 - COMMUNITY & SOCIAL SERVICES	10,786	15,700	201	799	769	769	1,287	1,313	1,339
Vote 12 - CLEANSING & MAINTENANCE	782	1,387	665	703	693	693	771	650	650
Capital single-year expenditure sub-total	72,343	108,746	54,599	204,953	177,517	177,517	138,497	151,056	166,161
Total Capital Expenditure - Vote	72,343	108,746	54,599	204,953	177,517	177,517	138,497	151,056	166,161
Capital Expenditure - Standard									
Governance and administration	39,219	62,782	26,477	199,913	172,921	172,921	132,223	144,213	158,634
Executive and council	38,757	62,277	26,211	199,601	172,375	172,375	131,875	143,833	158,216
Budget and treasury office	84	127	181	310	543	543	212	231	254
Corporate services	378	378	85	2	2	2	136	149	163
Community and public safety	22,786	27,898	2,785	3,354	3,162	3,162	3,929	4,285	4,714
Community and social services	9,434	11,262	789	920	867	867	1,212	1,322	1,454
Sport and recreation	950	13,790	15	268	268	268	685	747	821
Public safety	2,901	2,845	1,633	1,852	1,673	1,673	1,832	1,998	2,198
Housing	9,500	–	285	–	27	27	39	42	47
Health	–	–	63	314	327	327	161	176	194
Economic and environmental services	5,537	13,174	24,439	436	303	303	810	883	971
Planning and development	970	879	229	344	212	212	219	238	262
Road transport	4,567	12,295	24,210	92	92	92	591	645	709
Environmental protection	–	–	–	–	–	–	–	–	–
Trading services	4,802	4,893	883	1,251	1,131	1,131	1,096	1,195	1,315
Electricity	2,301	3,506	883	1,251	1,131	1,131	1,096	1,195	1,315
Water	–	–	–	–	–	–	–	–	–
Waste water management	–	–	–	–	–	–	–	–	–
Waste management	2,501	1,387	–	–	–	–	–	–	–
Other			15	–	–	–	440	480	528
Total Capital Expenditure - Standard	72,343	108,746	54,600	204,953	177,517	177,517	138,497	151,056	166,161
Funded by:									
National Government	25,995	49,332	23,872	41,269	53,493	53,493	30,687	47,476	52,354
Provincial Government	20,904	29,642	–	123,085	73,772	73,772	67,636	59,388	65,196
District Municipality	–	–	–	–	–	–	–	–	–
Other transfers and grants	–	–	–	–	–	–	–	–	–
Transfers recognised - capital	46,900	78,973	23,872	164,353	127,266	127,266	98,323	106,864	117,550
Public contributions & donations			–	–	–	–	–	–	–
Borrowing	–	24,811	20,438	5,500	14,888	14,888	–	–	–
Internally generated funds	25,443	4,962	10,289	35,100	35,364	35,364	40,174	44,192	48,611
Total Capital Funding	72,343	108,746	54,600	204,953	177,517	177,517	138,497	151,056	166,161

Explanatory notes to Table A5 - Budgeted Capital Expenditure by vote, standard classification and funding source

1. Table A5 is a breakdown of the capital programme in relation to capital expenditure by municipal vote (multi-year and single-year appropriations); capital expenditure by standard classification; and the funding sources necessary to fund the capital budget, including information on capital transfers from national and provincial departments.
2. The MFMA provides that a municipality may approve multi-year or single-year capital budget appropriations.
3. Single-year capital expenditure has been appropriated at R138 million for the 2012/13 financial year and remains relatively constant over the MTREF at levels of R151 million and R166 million respectively for the two outer years.
4. Unlike multi-year capital appropriations, single-year appropriations relate to expenditure that will be incurred in the specific budget year such as the procurement of vehicles and specialized tools and equipment. The budget appropriations for the two outer years are indicative allocations based on the departmental business plans as informed by the IDP and will be reviewed on an annual basis to assess the relevance of the expenditure in relation to the strategic objectives and service delivery imperatives of the municipality. For the purpose of funding assessment of the MTREF, these appropriations have been included but no commitments will be incurred against single-year appropriations for the two outer-years.
5. The capital programme is funded from capital and provincial grants and transfers and internally generated funds .

Table 15 MBRR Table A6 - Budgeted Financial Position

Description	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
ASSETS									
Current assets									
Cash	14,658	131,494	142,712	20,793	20,793	20,793	142,712	151,274	160,351
Call investment deposits	220,476	60,000	65,000	332,141	337,010	337,010	143,884	152,517	161,668
Consumer debtors	70,893	80,501	92,839	93,508	96,136	96,136	94,500	94,500	102,084
Other debtors	–	10,425	5,013	22,698	22,698	22,698	5,013	5,314	5,633
Current portion of long-term receivables	3,930	1,062	1,673	5,575	5,575	5,575	1,673	1,774	1,880
Inventory	2,496	3,324	2,289	3,541	3,541	3,541	2,289	2,427	2,572
Total current assets	312,454	286,806	309,527	478,256	485,752	485,753	390,072	407,806	434,189
Non current assets									
Long-term receivables	29,271	13,337	12,040	41,522	41,522	41,522	12,040	12,762	13,528
Investments	–	–	–	–	–	–	–	–	–
Investment property	59,718	145,750	260,856	84,711	84,711	84,711	260,856	276,507	293,098
Investment in Associate	–	–	–	–	–	–	–	–	–
Property, plant and equipment	677,681	727,187	536,714	446,954	503,500	503,500	505,000	535,300	567,418
Agricultural	–	–	–	–	–	–	–	–	–
Biological	–	–	–	–	–	–	–	–	–
Intangible	1,064	835	531	1,510	1,510	1,510	531	563	597
Other non-current assets	13,389	47	47	18,993	18,993	18,993	47	50	53
Total non current assets	781,124	887,156	810,188	593,690	650,236	650,236	778,474	825,183	874,694
TOTAL ASSETS	1,093,578	1,173,962	1,119,715	1,071,946	1,135,988	1,135,989	1,168,546	1,232,989	1,308,882
LIABILITIES									
Current liabilities									
Bank overdraft	–	–	–	–	–	–	–	–	–
Borrowing	6,413	6,990	10,652	9,600	9,800	9,800	8,398	8,901	9,436
Consumer deposits	7,418	14,470	15,373	10,523	10,523	10,523	15,373	16,295	17,273
Trade and other payables	210,568	157,639	131,393	186,559	187,759	187,759	155,320	164,639	174,517
Provisions	24,893	19,370	26,994	35,312	35,312	35,312	26,994	28,613	30,330
Total current liabilities	249,292	198,468	184,411	241,994	243,394	243,394	206,083	218,448	231,555
Non current liabilities									
Borrowing	21,615	13,951	58,841	58,841	58,841	58,841	58,841	62,371	66,114
Provisions	28,645	43,059	47,177	75,677	76,177	76,177	78,432	81,398	84,542
Total non current liabilities	50,261	57,010	106,018	134,518	135,018	135,018	137,273	143,769	150,655
TOTAL LIABILITIES	299,552	255,479	290,430	376,512	378,412	378,412	343,356	362,218	382,211
NET ASSETS	794,026	918,483	829,286	695,434	757,576	757,577	825,190	870,771	926,672
COMMUNITY WEALTH/EQUITY									
Accumulated Surplus/(Deficit)	376,211	504,642	421,113	287,260	349,402	349,402	417,016	438,107	468,048
Reserves	417,814	413,840	408,174	408,174	408,174	408,174	408,174	432,664	458,624
Minorities' interests									
TOTAL COMMUNITY WEALTH/EQUITY	794,026	918,483	829,286	695,434	757,576	757,576	825,190	870,771	926,672

Explanatory notes to Table A6 - Budgeted Financial Position

1. Table A6 is consistent with international standards of good financial management practice, and improves understandability for councilors and management of the impact of the budget on the statement of financial position (balance sheet).
2. This format of presenting the statement of financial position is aligned to GRAP1, which is generally aligned to the international version which presents Assets less Liabilities as “accounting” Community Wealth. The order of items within each group illustrates items in order of liquidity; i.e. assets readily converted to cash, or liabilities immediately required to be met from cash, appear first.
3. Table A6 is supported by an extensive table of notes (SA3) providing a detailed analysis of the major components of a number of items, including:
 - Call investments deposits;
 - Consumer debtors;
 - Property, plant and equipment;
 - Trade and other payables;
 - Provisions non -current;
 - Changes in net assets; and
 - Reserves
4. The municipal equivalent of equity is Community Wealth/Equity. The justification is that ownership and the net assets of the municipality belong to the community.
5. Any movement on the Budgeted Financial Performance or the Capital Budget will inevitably impact on the Budgeted Financial Position. As an example, the collection rate assumption will impact on the cash position of the municipality and subsequently inform the level of cash and cash equivalents at year end. Similarly, the collection rate assumption should inform the budget appropriation for debt impairment which in turn would impact on the provision for bad debt. These budget and planning assumptions form a critical link in determining the applicability and relevance of the budget as well as the determination of ratios and financial indicators. In addition the funding compliance assessment is informed directly by forecasting the statement of financial position.

Table 16 MBRR Table A9 - Asset Management

Description	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
CAPITAL EXPENDITURE									
Total New Assets	72,343	108,746	54,600	204,953	177,517	177,517	138,497	151,056	166,161
Infrastructure - Road transport	41,314	81,820	34,514	24,512	50,320	50,320	28,395	29,321	31,016
Infrastructure - Electricity	3,372	-	4,373	29,756	37,341	37,341	5,052	15,000	18,000
Infrastructure - Water	-	-	-	-	-	-	-	-	-
Infrastructure - Sanitation	-	-	-	-	-	-	-	-	-
Infrastructure - Other	5,681	3,118	4,502	6,850	8,650	8,650	1,808	1,943	2,055
Infrastructure	50,368	84,938	43,389	61,118	96,311	96,311	35,255	46,264	51,071
Community	14,023	17,367	6,626	17,935	10,833	10,833	24,973	26,478	28,567
Heritage assets	-	26	-	-	150	150	250	100	100
Investment properties	-	-	-	-	-	-	-	-	-
Other assets	7,758	6,302	4,562	125,900	70,218	70,218	78,019	78,115	86,373
Agricultural Assets	-	-	-	-	-	-	-	-	-
Biological assets	-	-	-	-	-	-	-	-	-
Intangibles	194	113	21	-	5	5	-	100	50
Total Capital Expenditure									
Infrastructure - Road transport	41,314	81,820	34,514	24,512	50,320	50,320	28,395	29,321	31,016
Infrastructure - Electricity	3,372	-	4,373	29,756	37,341	37,341	5,052	15,000	18,000
Infrastructure - Water	-	-	-	-	-	-	-	-	-
Infrastructure - Sanitation	-	-	-	-	-	-	-	-	-
Infrastructure - Other	5,681	3,118	4,502	6,850	8,650	8,650	1,808	1,943	2,055
Infrastructure	50,368	84,938	43,389	61,118	96,311	96,311	35,255	46,264	51,071
Community	14,023	17,367	6,626	17,935	10,833	10,833	24,973	26,478	28,567
Heritage assets	-	26	-	-	150	150	250	100	100
Investment properties	-	-	-	-	-	-	-	-	-
Other assets	7,758	6,302	4,562	125,900	70,218	70,218	78,019	78,115	86,373
Agricultural Assets	-	-	-	-	-	-	-	-	-
Biological assets	-	-	-	-	-	-	-	-	-
Intangibles	194	113	21	-	5	5	-	100	50
TOTAL CAPITAL EXPENDITURE - Asset class	72,343	108,746	54,600	204,953	177,517	177,517	138,497	151,056	166,161
Investment properties	59,718	145,750	126,155	84,711	84,711	84,711	260,856	276,507	293,098
Intangibles	-	835	726	1,510	1,510	1,510	531	563	597
TOTAL ASSET REGISTER SUMMARY - PPE (WDV)	59,718	146,585	126,881	86,221	86,221	86,221	261,387	277,071	293,695
EXPENDITURE OTHER ITEMS									
Depreciation & asset impairment	26,613	42,548	43,487	45,965	45,965	45,965	48,652	51,572	54,666
TOTAL EXPENDITURE OTHER ITEMS	26,613	42,548	43,487	45,965	45,965	45,965	48,652	51,572	54,666

Explanatory notes to Table A9 - Asset Management

1. Table A9 provides an overview of municipal capital allocations to building new assets and the renewal of existing assets, as well as spending on repairs and maintenance by asset class.
2. National Treasury has recommended that municipalities should allocate at least 40 per cent of their capital budget to the renewal of existing assets, and allocations to repairs and maintenance should be 8 per cent of PPE.

Part 2 – Supporting Documentation

2.1 Overview of the annual budget process

2.1.1 Budget Process Overview

In terms of section 21 of the MFMA the Mayor is required to table in Council ten months before the start of the new financial year (i.e. in August 2011) a time schedule that sets out the process to revise the IDP and prepare the budget.

The Mayor tabled in Council the required the IDP and budget time schedule on 31 August 2011. Key dates applicable to the process were:

- **August - October 2011** – Joint strategic planning session of the Management and Executive Management. Aim: to review past performance trends of the capital and operating budgets, the economic realities and to set the prioritisation criteria for the compilation of the 2012/13 MTREF;
- **November 2011** - The Mayor holds public hearing to identify the needs of the community
- **31 January 2012** - Council considers the 2011/12 Mid-year Review and Adjustments Budget;
- **February 2012** – Detail departmental budget proposals (capital and operating) submitted to the Budget and Treasury Office for consolidation and assessment against the financial planning guidelines;
- **31 March 2012** - Tabling in Council of the draft 2012/13 IDP and 2012/13 MTREF for public consultation;
- **April 2012** – Public consultation;
- **7 May 2012** - Closing date for written comments;
- **9 to 25 May 2012** – finalisation of the 2012/13 IDP and 2012/13 MTREF, taking into consideration comments received from the public, comments from National Treasury, and updated information from the most recent Division of Revenue Bill and financial framework; and
- **29 May 2012** – Tabling of the 2012/13 MTREF before Council for consideration and approval of IDP.

This is the fourth review of the IDP as adopted by Council . It started in September 2011 after the tabling of the IDP Process Plan and the Budget Time Schedule for the 2012/13 MTREF in August.

The municipality's IDP is its principal strategic planning instrument, which directly guides and informs its planning, budget, management and development actions. This framework is rolled out into objectives, key performance indicators and targets for implementation which directly inform the Service Delivery and Budget Implementation Plan. The Process Plan applicable to the fourth revision cycle included the following key IDP processes and deliverables:

- Registration of community needs;
- Compilation of departmental business plans including key performance indicators
- Financial planning and budgeting process;
- Public participation process;
- Compilation of the SDBIP, and
- The review of the performance management and monitoring processes.

The IDP has been taken into a business and financial planning process leading up to the 2012/13 MTREF, based on the approved 2011/12 MTREF, Mid-year Review and adjustments budget. The business planning process has subsequently been refined in the light of current economic circumstances and the resulting revenue projections.

With the compilation of the 2012/13 MTREF, each department/function had to review the business planning process, including the setting of priorities and targets after reviewing the mid-year and third quarter performance against the 2011/12 Departmental Service Delivery and Budget Implementation Plan. Business planning links back to priority needs and master planning, and essentially informed the detail operating budget appropriations and three-year capital programme.

2.1.2 Financial Modelling and Key Planning Drivers

As part of the compilation of the 2012/13 MTREF, extensive financial modelling was undertaken to ensure affordability and long-term financial sustainability. The following key factors and planning strategies have informed the compilation of the 2012/13 MTREF:

- Municipality growth
- Policy priorities and strategic objectives
- Asset maintenance
- Economic climate and trends (i.e inflation, Eskom increases, household debt, migration patterns)
- Performance trends
- The approved 2011/12 adjustments budget and performance against the SDBIP
- Cash Flow Management Strategy
- Debtor payment levels
- Loan and investment possibilities
- The need for tariff increases versus the ability of the community to pay for services;
- Improved and sustainable service delivery

In addition to the above, the strategic guidance given in National Treasury's MFMA Circulars 58 and 59 has been taken into consideration in the planning and prioritisation process.

2.1.3 Community Consultation

The draft 2012/13 MTREF as tabled before Council on 31 March 2012 for community consultation was published on the municipality's website, and hard copies were made available at customer care offices, municipal notice boards and various libraries.

All documents in the appropriate format (electronic and printed) were provided to National Treasury, and other national and provincial departments in accordance with section 23 of the MFMA, to provide an opportunity for them to make inputs.

Ward Committees were utilised to facilitate the community consultation process from 15 to 30 April 2012, and included seven public briefing sessions. Various meetings were held with all the Ratepayers in the Hibiscus Coast area. The applicable dates and venues were published in all the local newspapers and on average attendance of 200 were recorded per meeting. This is up on the previous year's process. This can be attributed to the additional initiatives that were launched during the consultation process, including the specific targeting of ratepayer associations. Individual sessions were scheduled with organised business and imbizo's were held to further ensure transparency and interaction.

Submissions received during the community consultation process and additional information regarding revenue and expenditure and individual capital projects were addressed, and where relevant considered as part of the finalisation of the 2012/13 MTREF. Feedback and responses to the submissions received are available on request. The following are some of the issues and concerns raised as well as comments received during the consultation process:

- Capital expenditure is not allocated to the areas in the same ratio as the income derived from those areas. This is a normal practice in a collective taxation environment. The municipality is responsible for managing the equitable use of resources to ensure that constitutional imperative to progressively improve basic services in undeveloped areas is realized in a sustainable manner over a reasonable period of time;
- Several complaints were received regarding poor service delivery, especially waste removal backlogs and the state of road infrastructure;
- Poor performance of contractors relating to infrastructure development and maintenance especially in the areas of road construction and maintenance were raised;
- Remuneration packages of council officials were criticized as being very high, relative their private sector counterparts within the municipality;
- The affordability of tariff increases, especially electricity, was raised on numerous occasions. This concern was also raised by organized business as an obstacle to economic growth;
- Pensioners cannot afford the tariff increases due to low annual pension increases; and
- During the community consultation process large sections of the community made it clear that they are not in favour of any further tariff increases to fund additional budget requests. They indicated that the municipality must do more to ensure efficiencies and value for money.
- The introduction of the rebates on the gated communities
- The creation of new rating category on vacant Land
- The rate randage of the municipality's is high when compared to other municipalities of the same size and nature;

Significant changes effected in the final 2012/13 MTREF compared to the draft 2012/13 MTREF that was tabled for community consultation, include:

- The final Eskom bulk tariff increase, applicable to municipalities from 1 July 2012, was factored into the proposed consumer tariffs, applicable from 1 July 2012. This resulted in an increase of 11.03 per cent;
- An amount of R1 million was allocated for Women Golf tournament as a result of an engagement with the relevant stakeholders and it resulted in an increase in the operating budget by R 1 million;
- An amount of R300 000 was allocated to Ugu Jazz and that resulted in the increase of operating budget by R300 000;
- The rebates has increased by R2 million (Total rebates R35 million) as a results of the implementation of new valuation roll starting from 01 July 2012;
- The rates income has increased from R273 million to R 301 million as a result of the implementation of new valuation roll from 01 July 2012.05.22;
- There were no increases in rate randages as a result of implementation of new valuation roll;
- The verge cutting contracts have been increased to R8,5 million from R6 million due to service delivery initiatives;
- A further R85 000 reduction on the market value of a property will be granted in terms of the municipality's own Property Rates Policy;
- The 2012 Division of Revenue Act (DORA) grant allocations were finalized and aligned to the gazetted allocations;

2.2 Overview of alignment of annual budget with IDP

The Constitution mandates local government with the responsibility to exercise local developmental and cooperative governance. The eradication of imbalances in South African society can only be realized through a credible integrated developmental planning process.

Municipalities in South Africa need to utilise integrated development planning as a method to plan future development in their areas and so find the best solutions to achieve sound long-term development goals. A municipal IDP provides a five year strategic programme of action aimed at setting short, medium and long term strategic and budget priorities to create a development platform, which correlates with the term of office of the political incumbents. The plan aligns the resources and the capacity of a municipality to its overall development aims and guides the municipal budget. An IDP is therefore a key instrument which municipalities use to provide vision, leadership and direction to all those that have a role to play in the development of a municipal area. The IDP enables municipalities to make the best use of scarce resources and speed up service delivery.

Integrated developmental planning in the South African context is amongst others, an approach to planning aimed at involving the municipality and the community to jointly find the best solutions towards sustainable development. Furthermore, integrated development planning provides a strategic environment for managing and guiding all planning, development and decision making in the municipality.

It is important that the IDP developed by municipalities correlate with National and Provincial intent. It must aim to co-ordinate the work of local and other spheres of government in a coherent plan to improve the quality of life for all the people living in that area. Applied to the

municipality, issues of national and provincial importance should be reflected in the IDP of the municipality. A clear understanding of such intent is therefore imperative to ensure that the municipality strategically complies with the key national and provincial priorities.

The aim of this revision cycle was to develop and coordinate a coherent plan to improve the quality of life for all the people living in the area, also reflecting issues of national and provincial importance. One of the key objectives is therefore to ensure that there exists alignment between national and provincial priorities, policies and strategies and the municipality's response to these requirements.

The national and provincial priorities, policies and strategies of importance include amongst others:

- Green Paper on National Strategic Planning of 2009;
- Government Programme of Action;
- Development Facilitation Act of 1995;
- Provincial Growth and Development Strategy (GGDS);
- National and Provincial spatial development perspectives;
- Relevant sector plans such as transportation, legislation and policy;
- National Key Performance Indicators (NKPIs);
- Accelerated and Shared Growth Initiative (ASGISA);
- National 2014 Vision;
- National Spatial Development Perspective (NSDP) and
- The National Priority Outcomes.

The Constitution requires local government to relate its management, budgeting and planning functions to its objectives. This gives a clear indication of the intended purposes of municipal integrated development planning. Legislation stipulates clearly that a municipality must not only give effect to its IDP, but must also conduct its affairs in a manner which is consistent with its IDP. The following table highlights the IDP's five strategic objectives for the 2012/13 MTREF and further planning refinements that have directly informed the compilation of the budget:

Table 17 IDP Strategic Objectives

2011/12 Financial Year	2012/13 MTREF
1. Basic service delivery and infrastructure development	1. Provision of quality basic services and infrastructure
2. Local economic development	2. Economic growth and development that leads to sustainable job creation, Investment promotion
3. Good governance, Financial viability and institutional governance.	3.1 Ensure financial sustainability, Capacity building and promotion of sound governance.
	3.2 Integrated Social Services for empowered and sustainable communities
4. Institutional transformation and organisational development	4. Community participation and development

In order to ensure integrated and focused service delivery between all spheres of government it was important for the municipality to align its budget priorities with that of national and provincial government. All spheres of government place a high priority on infrastructure development, economic development and job creation, efficient service delivery, poverty alleviation and building sound institutional arrangements.

Local priorities were identified as part of the IDP review process which is directly aligned to that of the national and provincial priorities. The key performance areas can be summarised as follows against the five strategic objectives:

1. Provision of quality basic services and infrastructure which includes, amongst others:
 - Provide electricity;
 - Provide waste removal;
 - Provide housing;
 - Provide roads and storm water;
 - Provide public transport;
 - Maintaining the infrastructure of the municipality.
2. Economic growth and development that leads to sustainable job creation by:
 - Ensuring there is a clear structural plan for the municipality ;
 - Ensuring planning processes function in accordance with set timeframes;
 - Facilitating the use of labour intensive approaches in the delivery of services and the building of infrastructure.
- 3.1 Fight poverty and build clean, healthy, safe and sustainable communities:
 - Effective implementation of the Indigent Policy;
 - Working with the provincial department of health to provide primary health care services;
 - Extending waste removal services and ensuring effective municipality cleansing;
 - Working with strategic partners such as SAPS to address crime;
 - Ensuring safe working environments by effective enforcement of building and health regulations;
 - Promote viable, sustainable communities through proper zoning; and
 - Promote environmental sustainability by protecting wetlands and key open spaces.
- 3.2 Integrated Social Services for empowered and sustainable communities
 - Work with provincial departments to ensure the development of community infrastructure such as schools and clinics is properly co-ordinated with the informal settlements upgrade programme
4. Foster participatory democracy and Bathos Pele principles through a caring, accessible and accountable service by:
 - Optimising effective community participation in the ward committee system; and
 - Implementing Bathos Pele in the revenue management strategy.
- 5.1 Promote sound governance through:
 - Publishing the outcomes of all tender processes on the municipal website
- 5.2 Ensure financial sustainability through:
 - Reviewing the use of contracted services
 - Continuing to implement the infrastructure renewal strategy and the repairs and maintenance plan
- 5.3 Optimal institutional transformation to ensure capacity to achieve set objectives
 - Review of the organizational structure to optimize the use of personnel;

In line with the MSA, the IDP constitutes a single, inclusive strategic plan for the municipality. The five-year programme responds to the development challenges and opportunities faced by the municipality by identifying the key performance areas to achieve the five the strategic objectives mentioned above.

In addition to the five-year IDP, the municipality undertakes an extensive planning and developmental strategy which primarily focuses on a longer-term horizon; 15 to 20 years. This process is aimed at influencing the development path by proposing a substantial programme of public-led investment to restructure current patterns of settlement, activity and access to resources in the municipality so as to promote greater equity and enhanced opportunity. The strategy specifically targets future developmental opportunities in traditional dormitory settlements. It provides direction to the municipality's IDP, associated sectorial plans and strategies, and the allocation of resources of the municipality and other service delivery partners.

This development strategy introduces important policy shifts which have further been translated into seven strategic focus areas/objectives as outlined below:

- Developing dormant areas;
- Enforcing hard development lines – so as to direct private investment;
- Maintaining existing urban areas;
- Strengthening key economic clusters;
- Building social cohesion;
- Strong developmental initiatives in relation to the municipal institution as a whole;
- Sound financial fundamentals.

Lessons learned with previous IDP revision and planning cycles as well as changing environments were taken into consideration in the compilation of the fourth revised IDP, including:

- Strengthening the analysis and strategic planning processes of the municipality;
- Initiating zonal planning processes that involve the communities in the analysis and planning processes. More emphasis was placed on area based interventions, within the overall holistic framework;
- Ensuring better coordination through a programmatic approach and attempting to focus the budgeting process through planning interventions; and
- Strengthening performance management and monitoring systems in ensuring the objectives and deliverables are achieved.

The 2012/13 MTREF has therefore been directly informed by the IDP revision process and the following tables provide a reconciliation between the IDP strategic objectives and operating revenue, operating expenditure and capital expenditure.

Table 18 MBRR Table SA4 - Reconciliation between the IDP strategic objectives and budgeted revenue

Strategic Objective	Goal	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
R thousand		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
Good Governance	Review contracted services, effective use of resources	30,231	66,501	72,631	78,442	78,442	78,442	85,382	95,653	99,423
	Repairs and maintenance plan	1,901	2,101	2,901	3,100	3,100	3,100	3,558	3,601	3,880
	Sustainability of the resources	500	650	700	750	750	750	800	900	1,000
Infrastructure and service provision	Housing, Electricity, Housing and waste removal	46,745	59,801	78,546	95,000	95,000	95,000	90,282	94,000	95,000
Social and Economic Development	Implementation of plan for the area, urban renewal and investment promotion	2,901	3,101	3,301	3,401	2,901	2,901	4,140	4,200	4,300
	planning	1,901	2,550	2,909	2,301	2,101	2,101	2,876	2,950	3,000
Sound Financial Management	Financial planning and control	253,900	295,540	303,987	307,501	299,098	299,098	310,571	320,000	325,000
Community Services	Solid waste removal	18,022	58,428	39,145	28,783	33,349	33,349	53,074	56,210	80,351
	Public policing and traffic	2,591	9,501	7,601	3,100	3,100	3,100	18,066	19,501	20,601
	Health provision	3,901	4,330	3,901	4,500	4,500	4,500	9,947	15,967	17,206
Total Revenue (excluding capital transfers and contributions)		388,605	502,502	515,621	526,878	522,341	522,341	578,696	612,982	649,761

Table 19 MBRR Table SA5 - Reconciliation between the IDP strategic objectives and budgeted operating expenditure

Strategic Objective	Goal	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
R thousand										
Good Governance	Optimum use of resources	35,010	45,001	56,500	64,901	80,001	80,001	90,023	93,799	96,748
	Effective use of resources	8,501	8,501	10,647	15,637	14,001	14,001	16,884	17,901	18,000
Infrastructure and service provision	Electricity , Housing,Roads	75,010	85,001	95,005	105,601	10,754	10,754	121,003	123,901	125,009
Social and economic development	Local economic development	7,501	8,501	9,501	12,094	14,501	14,501	10,118	12,099	13,501
	Planning,urban renewal	8,501	9,501	10,501	14,501	15,006	15,006	13,911	14,900	15,901
Community services	Solid waste removal	80,455	85,001	75,005	85,901	89,401	89,401	98,514	100,000	105,000
	Public safety , Traffic	35,010	40,001	45,010	55,001	59,545	59,545	62,298	63,000	63,500
	Health matters	4,501	5,501	6,501	8,501	12,500	12,500	11,988	12,500	13,501
Sound Financial sustainability	Financial planning	123,648	152,141	300,493	164,742	226,632	226,632	153,957	174,882	198,601
Total Expenditure		378,136	439,147	609,163	526,878	522,341	522,341	578,696	612,982	649,761

Table 20 MBRR Table SA7 - Reconciliation between the IDP strategic objectives and budgeted capital expenditure

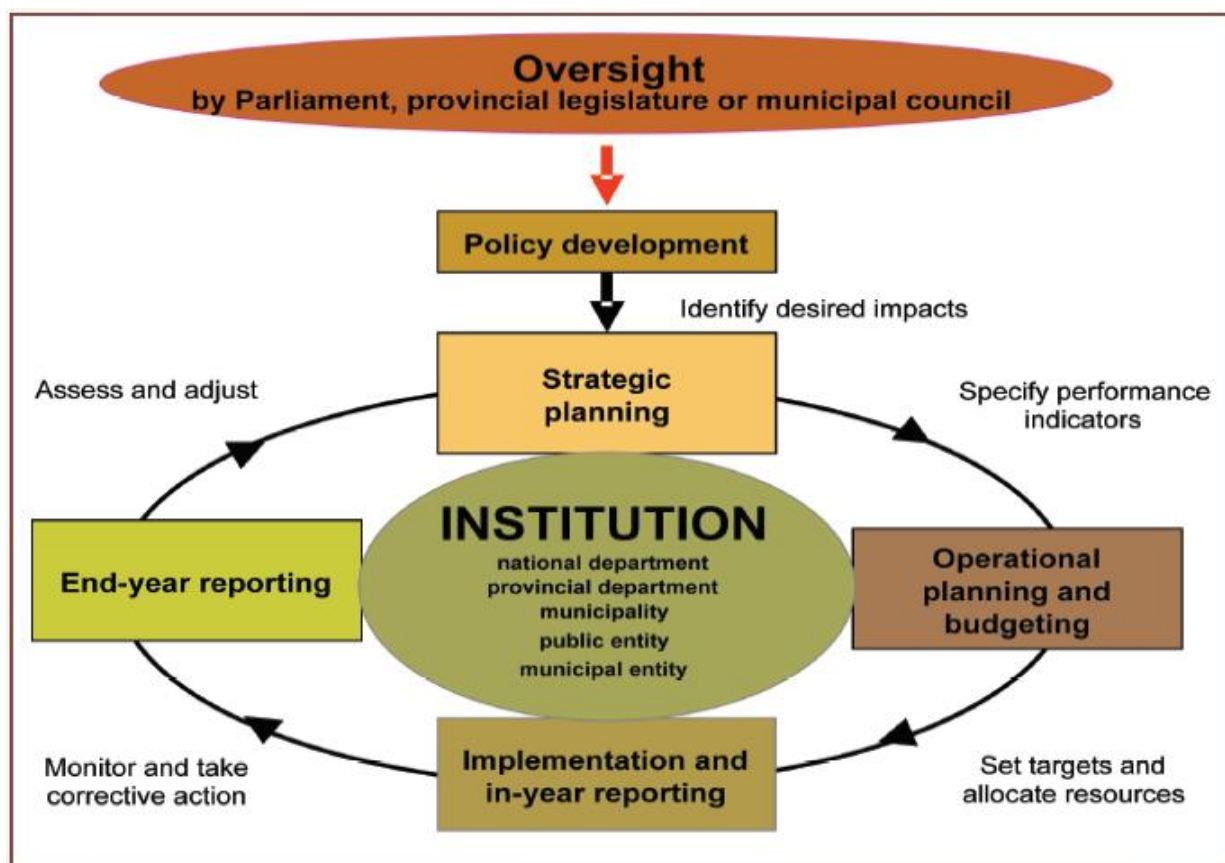
Strategic Objective	Goal	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
R thousand										
Good Governance	Effective governance	1,501	1,300	1,700	2,500	29,700	29,700	12,800	12,166	13,155
Basic Service Delivery and Infrastructure Development	Electricity , Schools,Housing,Verge Cutting and community Halls	16,828	11,500	44,501	173,180	80,657	80,657	67,636	71,694	75,996
	Roads and Stormwater	15,694	16,701	14,501	17,600	27,501	27,501	23,501	24,010	25,001
	Communtiy Facilities	3,401	3,601	12,533	3,501	23,501	23,501	19,501	20,671	21,911
	Streetlighting	1,501	5,802	1,100	1,673	9,501	9,501	1,563	1,656	1,756
Sounf Fianncial Viability	Financial Planning and control	32,904	15,674	34,298	6,500	6,500	6,500	13,497	14,307	15,165
Total Capital Expenditure		71,828	54,578	108,632	204,953	177,360	177,360	138,497	144,504	152,983

2.3 Measurable performance objectives and indicators

Performance Management is a system intended to manage and monitor service delivery progress against the identified strategic objectives and priorities. In accordance with legislative requirements and good business practices as informed by the National Framework for Managing Programme Performance Information, the Municipality has developed and implemented a performance management system of which system is constantly refined as the integrated planning process unfolds. The Municipality targets, monitors, assesses and reviews organisational performance which in turn is directly linked to individual employee's performance.

At any given time within government, information from multiple years is being considered; plans and budgets for next year; implementation for the current year; and reporting on last year's performance. Although performance information is reported publicly during the last stage, the performance information process begins when policies are being developed, and continues through each of the planning, budgeting, implementation and reporting stages. The planning, budgeting and reporting cycle can be graphically illustrated as follows:

Figure 2 planning, budgeting, implementation and reporting stages.



The following table sets out the municipalities main performance objectives and benchmarks for the 2012/13 MTREF.

Table 21 MBRR Table SA8 - Performance indicators and benchmarks

Description of financial indicator	Basis of calculation	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
<u>Borrowing Management</u>										
Capital Charges to Operating Expenditure	Interest & Principal Paid /Operating Expenditure	2.0%	2.0%	1.8%	2.4%	2.4%	2.4%	1.7%	1.7%	1.6%
Capital Charges to Own Revenue	Finance charges & Repayment of borrowing /Own Revenue	2.5%	2.6%	3.0%	3.2%	3.1%	3.1%	2.1%	2.0%	1.9%
Borrowed funding of 'own' capital expenditure	Borrowing/Capital expenditure ex cl. transfers and grants and contributions	0.0%	0.0%	-62.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<u>Safety of Capital</u>										
Gearing	Long Term Borrowing/ Funds & Reserves	5.2%	3.4%	14.4%	14.4%	14.4%	14.4%	14.4%	14.4%	14.4%
<u>Liquidity</u>										
Current Ratio	Current assets/current liabilities	1.3	1.4	1.7	2.0	2.0	2.0	1.9	1.9	1.9
Current Ratio adjusted for aged debtors	Current assets less debtors > 90 days/current liabilities	1.3	1.4	1.6	1.9	1.9	1.9	1.7	1.7	1.7
Liquidity Ratio	Monetary Assets/Current Liabilities	0.9	1.0	1.1	1.5	1.5	1.5	1.4	1.4	1.4
<u>Revenue Management</u>										
Annual Debtors Collection Rate (Payment Level %)	Last 12 Mths Receipts/Last 12 Mths Billing		99.6%	95.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Current Debtors Collection Rate (Cash receipts % of Ratepayer & Other revenue)			97.2%	98.0%	99.3%	97.8%	107.1%	95.0%	95.0%	97.5%
Outstanding Debtors to Revenue	Total Outstanding Debtors to Annual Revenue	28.7%	25.2%	25.6%	34.1%	35.0%	35.0%	19.6%	18.7%	18.9%
Longstanding Debtors Recovered	Debtors > 12 Mths Recovered/Total Debtors > 12 Months Old	45.0%	35.0%	25.0%	85.0%	85.0%	85.0%	85.0%	85.0%	85.0%
<u>Creditors Management</u>										
Creditors System Efficiency	% of Creditors Paid Within Terms (within MFMA' s 65(e))	95.0%	95.0%	95.0%	95.0%	95.0%	95.0%	95.0%	95.0%	95.0%
Creditors to Cash and Investments		506.3%	83.1%	64.9%	-106.4%	-137.8%	-137.8%	-94.6%	-48.7%	-33.5%
<u>Other Indicators</u>										
Electricity Distribution Losses (2)	% Volume (units purchased and generated less units sold)/units purchased and generated	4.8%	4.8%	4.8%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Employee costs	Employee costs/(Total Revenue - capital revenue)	42.9%	46.1%	50.2%	46.6%	47.7%	47.7%	41.5%	41.6%	41.6%
Remuneration	Total remuneration/(Total Revenue - capital revenue)	46.5%	51.1%	53.6%	46.6%	47.7%	47.7%	44.7%	43.3%	41.9%
Repairs & Maintenance	R&M/(Total Revenue excluding capital revenue)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Finance charges & Depreciation	FC&D/(Total Revenue - capital revenue)	8.0%	10.6%	10.8%	10.7%	10.8%	10.8%	9.0%	9.0%	9.0%
<u>IDP regulation financial viability indicators</u>										
i. Debt coverage	(Total Operating Revenue - Operating Grants)/Debt service payments due within financial year	11.1	14.4	12.6	13.6	13.6	13.6	19.8	20.0	21.2
ii. O/S Service Debtors to Revenue	Total outstanding service debtors/annual revenue received for services	28.3%	30.8%	31.1%	35.8%	35.0%	35.0%	23.1%	21.9%	22.3%
iii. Cost coverage	(Available cash + Investments)/monthly fixed operational expenditure	0.5	4.1	3.9	(5.3)	(4.1)	(4.1)	(4.5)	(8.8)	(12.8)

2.3 Overview of budget related-policies

The Municipality's budgeting process is guided and governed by relevant legislation, frameworks, strategies and related policies.

2.3.1 Review of credit control and debt collection procedures/policies

The Collection Policy as approved by Council in May 2011 has been reviewed and adopted. While the adopted policy is credible, sustainable, manageable and informed by affordability and value for money there has been a need to review certain components to achieve a higher collection rate.

As most of the indigents within the municipal area are unable to pay for municipal services because they are unemployed, the Integrated Indigent Exit Programme aims to link the registered indigent households to development, skills and job opportunities needs to be introduced. The programme also seeks to ensure that all departments as well as external role players are actively involved in the reduction of the number of registered indigent households.

The 2012/13MTREF has been prepared on the basis of achieving an average debtors' collection rate of 100 per cent on current billings. In addition the collection of debt in excess of 90 days has been prioritised as a pertinent strategy in increasing the municipality's cash levels. In addition, the potential of a payment incentive scheme is being investigated and if found to be viable will be incorporated into the policy.

2.3.2 Budget Policy

The adjustments budget process is governed by various provisions in the MFMA and is aimed at instilling and establishing an increased level of discipline, responsibility and accountability in the financial management practices of municipalities. To ensure that the municipality continues to deliver on its core mandate and achieves its developmental goals, the mid-year review and adjustment budget process will be utilised to ensure that underperforming functions are identified and funds redirected to performing functions.

2.3.3 Budget and Virement Policy

The Budget and Virement Policy aims to empower senior managers with an efficient financial and budgetary amendment and control system to ensure optimum service delivery within the legislative framework of the MFMA and the municipality's system of delegations. The Budget and Virement Policy was approved by Council in May 2011 and was amended on 31 March 2012 in respect of both Operating and Capital Budget Fund Transfers.

2.3.4 Tariff Policies

The Municipality's tariff policies provide a broad framework within which the Council can determine fair, transparent and affordable charges that also promote sustainable service delivery. The policies have been approved on various dates and a consolidated tariff policy is envisaged to be compiled for ease of administration and implementation of the next two years.

All the above policies are available on the municipality's website, as well as the following budget related policies:

- Property Rates Policy;
- Funding and Reserves Policy;
- Budget Policy; and
- Basic Social Services Package (Indigent Policy).

2.4 Overview of budget assumptions

2.4.1 External factors

Owing to the economic slowdown, financial resources are limited due to reduced payment levels by consumers. This has resulted in declining cash inflows, which has necessitated restrained expenditure to ensure that cash outflows remain within the affordability parameters of the municipality's finances.

2.4.2 General inflation outlook and its impact on the municipal activities

There are five key factors that have been taken into consideration in the compilation of the 2012/13 MTREF:

- National Government macro economic targets;
- The general inflationary outlook and the impact on Municipality's residents and businesses;
- The impact of municipal cost drivers;
- The increase in prices for bulk electricity and
- The increase in the cost of remuneration. Employee related costs comprise 41 per cent of total operating expenditure in the 2012/13 MTREF and therefore this increase above inflation places a disproportionate upward pressure on the expenditure budget. The wage agreement SALGBC concluded with the municipal workers unions on 31 July 2009 as well as the categorisation and job evaluation wage curves collective agreement signed on 21 April 2010 must be noted.

2.4.3 Collection rate for revenue services

The base assumption is that tariff and rating increases will increase at a rate slightly higher than CPI over the long term. It is also assumed that current economic conditions, and relatively controlled inflationary conditions, will continue for the forecasted term.

The rate of revenue collection is currently expressed as a percentage (95 per cent) of annual billings. Cash flow is assumed to be 95 per cent of billings, plus an increased collection of arrear debt from the revised collection and credit control policy. The performance of arrear collections will however only be considered a source of additional cash in-flow once the performance has been carefully monitored.

2.4.4 Growth or decline in tax base of the municipality

Debtors revenue is assumed to increase at a rate that is influenced by the consumer debtors collection rate, tariff/rate pricing, real growth rate of the municipality, household formation growth rate and the poor household change rate.

Household formation is the key factor in measuring municipal revenue and expenditure growth, as servicing 'households' is a greater municipal service factor than servicing individuals. Household formation rates are assumed to convert to household dwellings. In addition the change in the number of poor households influences the net revenue benefit derived from household formation growth, as it assumes that the same costs incurred for servicing the household exist, but that no consumer revenue is derived as the 'poor household' limits consumption to the level of free basic services.

2.4.5 Impact of national, provincial and local policies

Integration of service delivery between national, provincial and local government is critical to ensure focussed service delivery and in this regard various measures were implemented to align IDPs, provincial and national strategies around priority spatial interventions. In this regard, the following national priorities form the basis of all integration initiatives:

- Creating jobs;
- Enhancing education and skill development;
- Improving Health services;
- Rural development and agriculture; and
- Fighting crime and corruption.

To achieve these priorities integration mechanisms are in place to ensure integrated planning and execution of various development programs. The focus will be to strengthen the link between policy priorities and expenditure thereby ensuring the achievement of the national, provincial and local objectives.

2.4.6 Ability of the municipality to spend and deliver on the programmes

It is estimated that a spending rate of at least 97 per cent is achieved on operating expenditure and 98 per cent on the capital programme for the 2011/12 MTREF of which performance has been factored into the cash flow budget.

2.5 Overview of budget funding

2.5.1 Medium-term outlook: operating revenue

The following table is a breakdown of the operating revenue over the medium-term:

Table 22 Breakdown of the operating revenue over the medium-term

Description	2012/13 Medium Term Revenue & Expenditure Framework					
	Budget Year 2012/13	%	Budget Year +1 2013/14	%	Budget Year +2 2014/15	%
R thousand						
Property rates	301,635	52%	316,036	52%	334,998	52%
Service charges	132,474	23%	140,422	23%	148,847	23%
Investment revenue	10,909	2%	11,564	2%	12,257	2%
Transfers recognised- operational	95,398	16%	101,121	16%	107,189	16%
Other own revenue	38,281	7%	43,839	7%	46,469	7%
Total Operating Revenue	578,696	100%	612,982	100%	649,761	100%
Total Operating Expenditure	578,696		612,982		649,761	
Surplus/(Deficit)	-		-		-	

The following graph is a breakdown of the operational revenue per main category for the 2012/13 financial year.

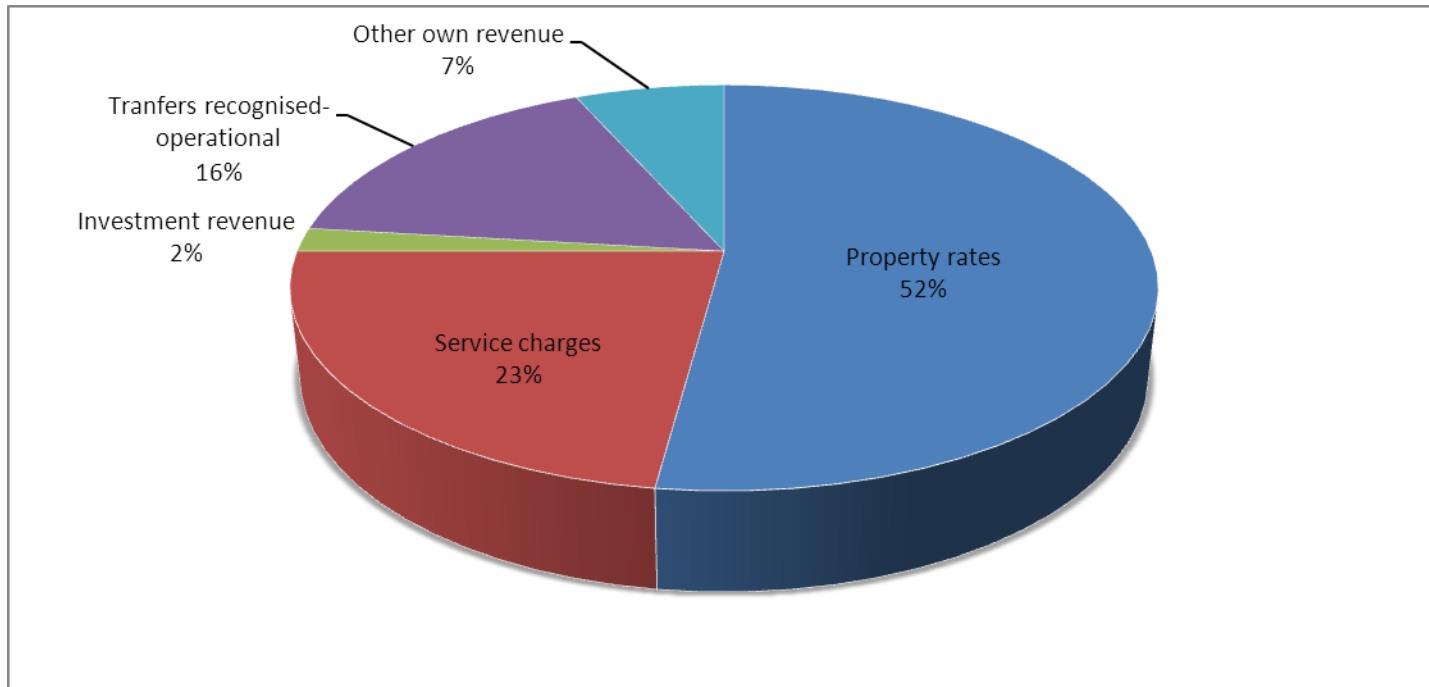


Figure 3 Breakdown of operating revenue over the 2012/13 MTREF

Tariff setting plays a major role in ensuring desired levels of revenue. Getting tariffs right assists in the compilation of a credible and funded budget. The municipality derives most of its operational revenue from the provision of goods and services such as electricity and solid waste removal. Property rates, operating and capital grants from organs of state and other minor charges (such as building plan fees, licenses and permits etc.).

The revenue strategy is a function of key components such as:

- Growth in the municipality and economic development;
- Revenue management and enhancement;
- Achievement of a 95 per cent annual collection rate for consumer revenue;
- National Treasury guidelines;
- Electricity tariff increases within the National Electricity Regulator of South Africa (NERSA) approval;
- Achievement of full cost recovery of specific user charges;
- Determining tariff escalation rate by establishing/calculating revenue requirements;
- The Property Rates Policy in terms of the Municipal Property Rates Act, 2004 (Act 6 of 2004) (MPRA), and
- And the ability to extend new services and obtain cost recovery levels.

The above principles guide the annual increase in the tariffs charged to the consumers and the ratepayers aligned to the economic forecasts.

2.5.2 Medium-term outlook: capital revenue

The following table is a breakdown of the funding composition of the 2012/13 medium-term capital programme:

Table 11 Sources of capital revenue over the MTREF

Vote Description	2012/13 Medium Term Revenue & Expenditure Framework					
R thousand	Budget Year 2012/13	%	Budget Year +1 2013/14	%	Budget Year +2 2014/15	%
Funded by:						
National Government	30,687	22%	35,001	23%	37,889	22%
Provincial Government	67,636	49%	71,863	47%	79,661	48%
Other transfers and grants	–		–			
Internally generated funds	40,174	29%	44,192	29%	48,611	29%
External borrowing	–		–			
Total Capital Funding	138,497	100%	151,056	100%	166,161	100%

The above table is graphically represented as follows for the 2012/13 financial year.

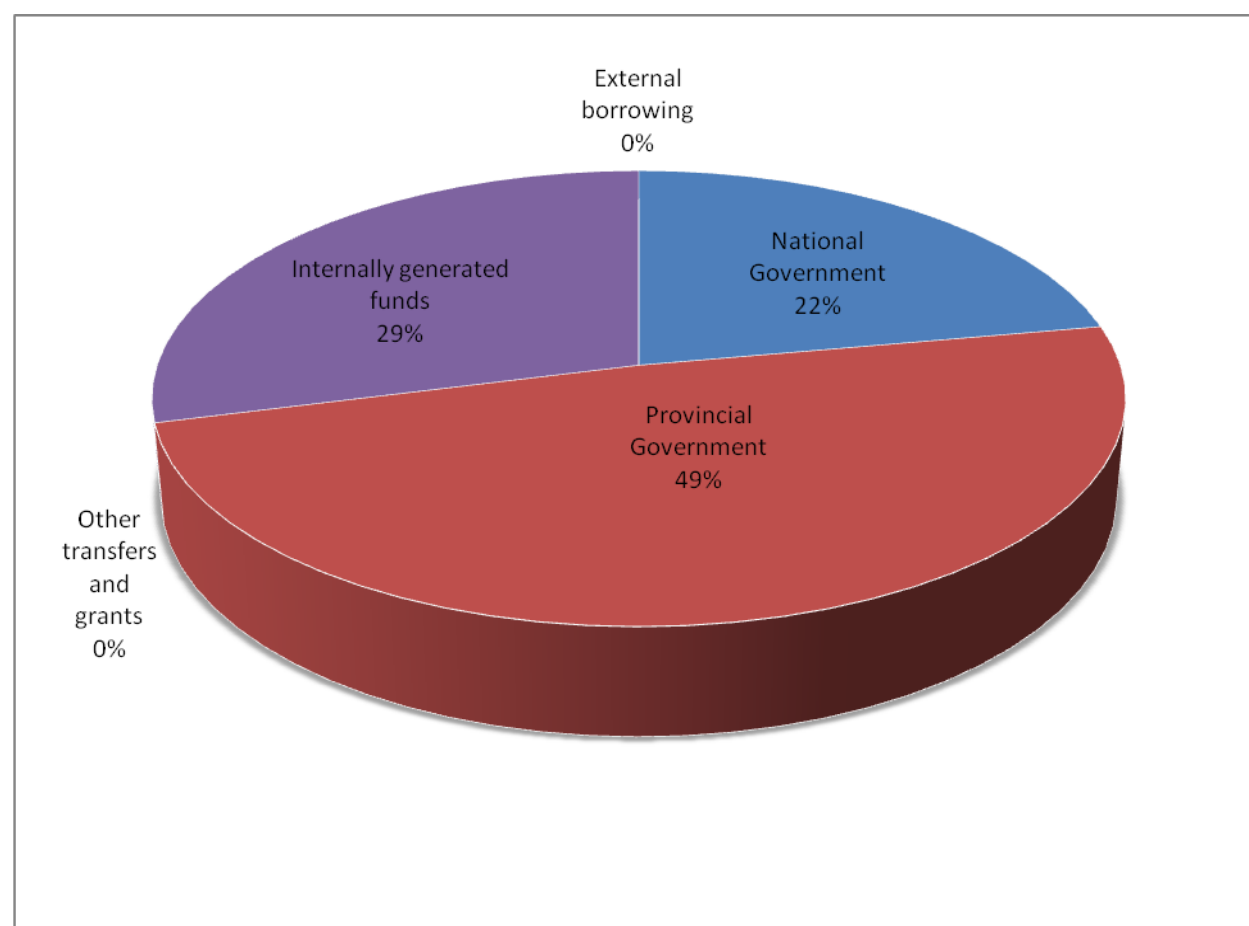


Figure 4 Sources of capital revenue for the 2012/13 financial year

Capital grants and receipts equates to 71 per cent of the total funding source which represents R98 million for the 2012/13 financial year and steadily increase to R117 million or 70 per cent by 2014/15. Growth relating to grant receipts is 8.3, 7.1 and 7.7 per cent over the medium-term.

Table 23 MBRR Table SA 18 - Capital transfers and grant receipts

Description	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
RECEIPTS:									
<u>Capital Transfers and Grants</u>									
National Government:	122,176	13,184	37,557	25,379	25,379	25,379	30,787	32,476	34,354
Municipal Infrastructure Grant (MIG)	72,130	13,184	19,557	25,379	25,379	25,379	30,787	32,476	34,354
Dept of Energy	–	–	18,000	–	–	–	–	15,000	18,000
MIG Other (Disaster Management)	50,046								
Provincial Government:	4,666	12,165	18,319	138,974	73,772	73,772	67,636	71,694	75,995
Housing	4,666	12,165	18,319	115,635	58,477	58,477	67,636	71,694	75,995
Other Provincial	–	–	–	23,340	15,295	15,295			
TOTAL RECEIPTS OF TRANSFERS & GRANTS	126,842	25,349	55,876	164,353	99,151	99,151	98,423	104,170	110,349

2.6 Expenditure on grants and reconciliations of unspent funds

Table 24 MBRR SA19 - Expenditure on transfers and grant programmes

Description	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
EXPENDITURE:									
Operating expenditure of Transfers and Grants									
National Government:	46,241	57,428	72,618	79,084	79,084	79,084	87,682	94,224	101,260
Local Government Equitable Share	45,422	56,245	70,295	76,844	76,844	76,844	85,382	91,574	98,560
Finance Management	420	827	1,529	1,450	1,450	1,450	1,500	1,750	1,750
Municipal Systems Improvement	400	356	794	790	790	790	800	900	950
Provincial Government:	6,533	11,618	40,762	120,135	120,135	120,135	72,428	77,136	82,150
Health subsidy	–	87	–	4,500	4,500	4,500	4,793	5,104	5,436
Housing	6,533	11,531	40,762	115,635	115,635	115,635	67,636	72,032	76,714
Other grant providers:	540	3,279	1,447	–	–	–	–	–	–
Other Grants	540	3,279	1,447	–	–	–	–	–	–
Total operating expenditure of Transfers and Grants:	53,315	72,325	114,827	199,219	199,219	199,219	160,110	171,360	183,410
Capital expenditure of Transfers and Grants									
National Government:	26,014	83,790	34,427	25,379	25,379	25,379	30,787	32,476	34,354
Municipal Infrastructure Grant (MIG)	11,029	23,909	31,369	25,379	25,379	25,379	30,787	32,476	34,354
Disaster Grants	14,985	59,880	3,058	–	–	–	–	–	–
Total capital expenditure of Transfers and Grants	26,014	83,790	34,427	25,379	25,379	25,379	30,787	32,476	34,354
TOTAL EXPENDITURE OF TRANSFERS AND GRANTS	79,328	156,115	149,254	224,598	224,598	224,598	190,897	203,836	217,764

Table 25 MBRR SA 20 - Reconciliation between of transfers, grant receipts and unspent funds

Description	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
Operating transfers and grants:									
National Government:									
Balance unspent at beginning of the year	1,003	1,084	433	20	20	500		-	-
Current year receipts	900	1,150	1,950	2,190	2,190	76,245	2,300	2,650	2,700
Conditions met - transferred to revenue	819	1,801	2,363	2,210	2,210	76,745	2,300	2,650	2,700
Conditions still to be met - transferred to liabilities	1,084	433	20						
Provincial Government:									
Balance unspent at beginning of the year	1,092	956	3,744	1,447	1,330	1,330	1,401	1,485	1,574
Current year receipts	580	5,178	1,746	9,500	9,500	9,500	67,636	71,694	75,995
Conditions met - transferred to revenue	716	2,389	4,043	10,947	10,830	10,830	69,037	73,179	77,569
Conditions still to be met - transferred to liabilities	956	3,744	1,447						
Total operating transfers and grants revenue	1,536	4,190	6,406	13,157	13,040	87,575	71,337	75,829	80,269
Total operating transfers and grants - CTBM	2,039	4,178	1,468	-	-	-	-	-	-
Capital transfers and grants:									
National Government:									
Balance unspent at beginning of the year	5,868	66,969	56,243	6,392	6,392	6,392	5,100	5,406	5,730
Current year receipts	72,130	13,184	19,557	21,857	21,857	21,857	30,787	32,634	34,592
Conditions met - transferred to revenue	11,029	23,909	69,408	28,249	28,249	28,249	35,887	38,040	40,323
Conditions still to be met - transferred to liabilities	66,969	56,243	6,392						
Total capital transfers and grants revenue	11,029	23,909	69,408	28,249	28,249	28,249	35,887	38,040	40,323
Total capital transfers and grants - CTBM	66,969	56,243	6,392	-	-	-	-	-	-
TOTAL TRANSFERS AND GRANTS REVENUE	12,564	28,099	75,814	41,406	41,289	115,824	107,224	113,869	120,592
TOTAL TRANSFERS AND GRANTS - CTBM	69,008	60,421	7,860	-	-	-	-	-	-

2.7 Councillor and employee benefits

Table 12 MBRR SA22 - Summary of councillor and staff benefits-remove

Summary of Employee and Councillor remuneration	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
	A	B	C	D	E	F	G	H	I
Councillors (Political Office Bearers plus Other)									
Basic Salaries and Wages	12,382	12,544	13,882	16,106	16,106	16,106	17,233	18,267	19,363
Cellphone Allowance	660	1,388	731	1,362	1,362	1,362	990	1,049	1,112
Sub Total - Councillors	13,042	13,932	14,613	17,467	17,468	17,468	18,223	19,316	20,475
Senior Managers of the Municipality									
Basic Salaries and Wages	6,350	6,008	6,504	7,670	7,670	7,670	5,519	5,850	6,201
Pension and UIF Contributions	12	12	12	12	12	12	157	166	176
Cellphone Allowance	48	48	48	48	48	48	48	51	54
Sub Total - Senior Managers of Municipality	6,410	6,068	6,564	7,730	7,730	7,730	5,723	6,067	6,431
Other Municipal Staff									
Basic Salaries and Wages	100,100	118,506	138,968	129,702	129,702	129,702	164,447	174,314	184,773
Pension and UIF Contributions	16,188	21,416	24,107	31,541	31,541	31,541	29,988	31,787	33,694
Medical Aid Contributions	3,729	5,720	6,807	6,300	6,300	6,300	9,850	10,441	11,067
Overtime	5,188	6,786	9,887	4,674	6,063	6,063	6,701	7,103	7,529
Performance Bonus	8,303	8,796	10,284	10,139	10,139	10,139	12,373	13,116	13,903
Motor Vehicle Allowance	3,549	5,394	6,543	5,434	5,434	5,434	7,519	7,970	8,448
Telephone allowance	297	442	475	429	429	429	1,279	1,355	1,437
Housing Allowances	955	787	633	1,007	1,007	1,007	843	894	948
Other benefits ,and Post employment	10,836	19,298	14,610	8,216	9,940	9,940	3,928	2,328	2,102
Sub Total - Other Municipal Staff	149,147	187,143	212,315	197,443	200,555	200,555	236,928	249,307	263,901
Total Parent Municipality	168,599	207,143	233,492	222,641	225,753	225,753	260,874	265,541	290,807

Table 27 MBRR SA23 - Salaries, allowances and benefits (political office bearers/councillors/ senior managers)

Disclosure of Salaries, Allowances & Benefits 1.	Salary	Contributions	Allowances	Performance Bonuses	In-kind benefits	Total Package
Rand per annum		1.				2.
<u>Councillors</u>						
Speaker	543,855	10,496	19,680			574,031
Chief Whip	509,862	9,840	19,680			539,382
Executive Mayor	679,817	13,120	19,680			712,617
Deputy Executive Mayor	543,854	10,496	19,680			574,030
Executive Committee	3,569,037	68,880	137,760			3,775,677
Total for all other councillors	11,239,475	718,936	89,323			12,047,734
Total Councillors	17,085,900	831,768	305,803			18,223,471
<u>Senior Managers of the Municipality</u>						
Municipal Manager (MM)	1,033,516	21,493	12,000			1,067,009
Chief Finance Officer	896,997	18,858	4,800			920,655
Director Corporate Services	896,997	18,858	4,800			920,655
Director Community services	896,997	18,858	4,800			920,655
Director Human Settlements	896,997	18,858	4,800			920,655
Director Strategic Planning and Governance	896,997	18,858	4,800			920,655
Total Senior Managers of the Municipality	5,518,501	115,783	36,000	-		5,670,284
TOTAL COST OF COUNCILLOR, DIRECTOR and EXECUTIVE REMUNERATION	22,604,401	947,551	341,803	-		23,893,755

Table 28 MBRR SA25 – Budgeted monthly revenue and expenditure

Description	Budget Year 2012/13												Medium Term Revenue and Expenditure Framework		
	July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
Revenue By Source															
Property rates	42,140	40,646	27,122	27,500	27,143	28,120	27,115	27,278	27,535	27,037	–	0	301,635	319,733	338,917
Property rates - penalties & collection charges	8	6	6	6	6	6	6	6	6	6	6	5	77	82	87
Service charges - electricity revenue	6,755	8,458	7,260	7,195	7,792	7,051	6,879	7,780	7,790	7,770	8,164	3,442	86,334	91,514	97,005
Service charges - water revenue	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Service charges - sanitation revenue	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Service charges - refuse revenue	4,277	3,565	3,932	2,501	4,267	4,215	5,331	4,087	4,715	4,370	3,845	1,035	46,139	48,097	50,983
Service charges - other	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Rental of facilities and equipment	243	244	244	244	244	244	244	244	244	244	244	245	2,925	3,101	3,287
Interest earned - external investments	909	909	909	909	909	909	909	909	909	909	909	909	10,909	11,564	12,258
Interest earned - outstanding debtors	504	504	504	504	504	504	504	504	504	504	504	504	6,049	6,412	6,797
Dividends received	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Fines	280	280	280	280	280	280	280	280	280	280	280	280	3,360	3,561	3,775
Licences and permits	473	473	473	473	473	473	473	473	473	473	473	473	5,680	6,020	6,382
Agency services	623	501	5	65	1	1	1	1	1	1	1	2,102	3,300	3,498	3,708
Transfers recognised - operational	29,961	800	3,716	4,000	28,461				28,461	–	–	(0)	95,398	101,121	107,189
Other revenue	1,201	1,682	901	500	1,682	1,682	1,682	1,682	1,682	1,682	1,682	833	16,889	18,277	19,373
Gains on disposal of PPE	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Total Revenue (excluding capital transfers and contributions)	87,375	58,068	45,351	44,178	71,762	43,485	43,424	43,244	72,600	43,275	16,108	9,827	578,696	612,982	649,761
Expenditure By Type															
Employee related costs	20,050	20,050	20,050	20,050	20,050	20,050	20,050	20,050	20,050	20,050	20,050	40,329	260,874	276,526	293,118
Remuneration of councillors	1,519	1,519	1,519	1,519	1,519	1,519	1,519	1,519	1,519	1,519	1,519	1,519	18,223	19,317	20,476
Debt impairment	–	–	–	–	–	–	–	–	–	–	–	2,532	2,532	2,684	2,845
Depreciation & asset impairment	4,054	4,054	4,054	4,054	4,054	4,054	4,054	4,054	4,054	4,054	4,054	4,055	48,652	51,572	54,666
Finance charges	3	3	3	1,450	3	3	3	3	3	843	830	333	3,477	3,686	3,907
Bulk purchases	6,200	7,950	8,000	4,500	4,400	4,500	4,500	4,567	4,900	5,000	5,000	5,000	64,517	68,388	72,491
Other materials	2,501	2,785	2,901	2,300	2,567	2,401	3,899	3,880	2,501	1,401	2,100	2,298	31,533	33,425	35,430
Contracted services	1,482	1,482	1,482	1,482	1,482	1,482	1,482	1,482	1,482	1,482	1,482	7,244	23,547	24,960	26,457
Transfers and grants	2,900	–	–	–	–	1,140	–	–	–	–	–	–	4,040	4,108	4,181
Other expenditure	5,601	4,501	15,637	11,001	13,000	15,660	9,000	10,501	8,901	4,501	14,877	8,121	121,301	128,317	136,190
Loss on disposal of PPE	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Total Expenditure	44,309	42,343	53,644	46,356	47,074	50,808	44,506	46,055	43,409	38,850	49,912	71,430	578,696	612,982	649,761
Surplus/(Deficit)	43,066	15,725	(8,293)	(2,178)	24,687	(7,323)	(1,082)	(2,811)	29,191	4,425	(33,804)	(61,603)	(0)	0	(0)
Transfers recognised - capital													–	–	–
Contributions recognised - capital													–	–	–
Contributed assets													–	–	–
Surplus/(Deficit) after capital transfers & contributions	43,066	15,725	(8,293)	(2,178)	24,687	(7,323)	(1,082)	(2,811)	29,191	4,425	(33,804)	(61,603)	(0)	0	(0)
Taxation													–	–	–
Attributable to minorities													–	–	–
Share of surplus/ (deficit) of associate													–	–	–
Surplus/(Deficit)	43,066	15,725	(8,293)	(2,178)	24,687	(7,323)	(1,082)	(2,811)	29,191	4,425	(33,804)	(61,603)	(0)	0	(0)

May 2012

51

[illegible]

Table 30 MBRR SA26 - Budgeted monthly revenue and expenditure (municipal vote)

Description	Budget Year 2012/13												Medium Term Revenue and Expenditure Framework		
R thousand	July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
Revenue by Vote															
Vote 1 - COUNCIL	28,461	–	–	–	28,461	–	–	–	28,461	–	–	(0)	85,382	90,505	95,935
Vote 2 - MUNICIPAL MANAGER	67	67	67	67	67	67	67	67	67	67	67	67	800	848	899
Vote 3 - OPERATIONS	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Vote 4 - TREASURY	25,881	25,881	25,881	25,881	25,881	25,881	25,881	25,881	25,881	25,881	25,881	36,749	321,440	340,290	360,707
Vote 5 - CORPORATE SERVICES	296	296	296	296	296	296	296	296	296	296	296	296	3,558	3,771	3,997
Vote 6 - HUMAN SETTLEMENT & INFRASTRUCTURE	7,902	7,902	7,902	7,902	7,902	7,902	7,902	7,902	7,902	7,902	7,902	(588)	86,334	91,514	97,005
Vote 7 - LOCAL ECONOMIC DEVELOPMENT	345	345	345	345	345	345	345	345	345	345	345	345	4,140	4,389	4,652
Vote 8 - TOWN PLANNING	240	240	240	240	240	240	240	240	240	240	240	240	2,876	3,049	3,232
Vote 9 - PROTECTION SERVICES	1,127	1,127	1,127	1,127	1,127	1,127	1,127	1,127	1,127	1,127	1,127	5,670	18,066	19,150	20,299
Vote 10 - COMMUNITY & SOCIAL SERVICES	449	449	449	449	449	449	449	449	449	449	449	449	5,393	5,717	6,060
Vote 11 - COMMUNITY & SOCIAL SERVICES	380	380	380	380	380	380	380	380	380	380	380	380	4,556	4,829	5,119
Vote 12 - CLEANSING & MAINTENANCE	3,846	3,846	3,846	3,846	3,846	3,846	3,846	3,846	3,846	3,846	3,846	3,843	46,151	48,920	51,855
Total Revenue by Vote	68,994	40,533	40,533	40,533	68,994	40,533	40,533	40,533	68,994	40,533	40,533	47,451	578,696	612,982	649,761
Expenditure by Vote to be appropriated															
Vote 1 - COUNCIL	7,044	7,044	7,044	7,044	7,044	7,044	7,044	7,044	7,044	7,044	7,044	7,044	84,532	89,604	94,980
Vote 2 - MUNICIPAL MANAGER	1,407	1,407	1,407	1,407	1,407	1,407	1,407	1,407	1,407	1,407	1,407	1,407	16,884	17,897	18,971
Vote 3 - OPERATIONS	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Vote 4 - TREASURY	6,275	6,275	6,275	6,275	6,275	6,275	6,275	6,275	6,275	6,275	6,275	6,275	75,304	79,822	84,611
Vote 5 - CORPORATE SERVICES	2,335	2,335	2,335	2,335	2,335	2,335	2,335	2,335	2,335	2,335	2,335	2,335	28,015	29,696	31,477
Vote 6 - HUMAN SETTLEMENT & INFRASTRUCTURE	10,444	10,444	10,444	10,444	10,444	10,444	10,444	10,444	10,444	10,444	10,444	6,346	121,235	128,509	136,219
Vote 7 - LOCAL ECONOMIC DEVELOPMENT	843	843	843	843	843	843	843	843	843	843	843	7,764	17,039	17,625	10,905
Vote 8 - TOWN PLANNING	1,159	1,159	1,159	1,159	1,159	1,159	1,159	1,159	1,159	1,159	1,159	1,159	13,911	14,746	23,407
Vote 9 - PROTECTION SERVICES	5,350	5,350	5,350	5,350	5,350	5,350	5,350	5,350	5,350	5,350	5,350	9,449	68,298	72,396	76,739
Vote 10 - COMMUNITY & SOCIAL SERVICES	3,720	3,720	3,720	3,720	3,720	3,720	3,720	3,720	3,720	3,720	3,720	3,720	44,643	47,321	50,160
Vote 11 - COMMUNITY & SOCIAL SERVICES	999	999	999	999	999	999	999	999	999	999	999	999	11,988	12,707	13,470
Vote 12 - CLEANSING & MAINTENANCE	8,209	8,209	8,209	8,209	8,209	8,209	8,209	8,209	8,209	8,209	8,209	6,545	96,850	102,661	108,820
Total Expenditure by Vote	47,787	47,787	47,787	47,787	47,787	47,787	47,787	47,787	47,787	47,787	47,787	53,044	578,697	612,983	649,760
Surplus/(Deficit) before assoc.	21,207	(7,254)	(7,254)	(7,254)	21,207	(7,254)	(7,254)	(7,254)	21,207	(7,254)	(7,254)	(5,593)	(0)	(0)	0
Taxation													–	–	–
Attributable to minorities													–	–	–
Share of surplus/ (deficit) of associate													–	–	–
Surplus/(Deficit)	21,207	(7,254)	(7,254)	(7,254)	21,207	(7,254)	(7,254)	(7,254)	21,207	(7,254)	(7,254)	(5,593)	(0)	(0)	0

Table 31 MBRR SA28 - Budgeted monthly capital expenditure (municipal vote)

Description	Budget Year 2012/13												Medium Term Revenue and Expenditure Framework		
	July	August	Sept.	October	Nov.	Dec.	January	Feb.	March	April	May	June	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
Single-year expenditure to be appropriated															
Vote 1 - COUNCIL	3,200	6,500	12,000	6,700	12,000	5,000	9,115	35,000	4,500	1,500	25,000	11,235	131,750	144,059	159,182
Vote 2 - MUNICIPAL MANAGER	–	–	10	–	–	–	114	–	–	–	–	–	124	127	134
Vote 3 - OPERATIONS	–	–	–	–	–	–	–	–	–	–	–	–	–	200	–
Vote 4 - TREASURY	15	25	–	–	30	–	78	64	–	–	–	–	212	200	212
Vote 5 - CORPORATE SERVICES	–	–	45	–	50	15	26	–	–	–	–	–	136	216	229
Vote 6 - HUMAN SETTLEMENT & INFRASTRUCTURE	300	–	–	450	25	–	53	–	30	–	–	442	1,299	1,316	1,378
Vote 7 - LOCAL ECONOMIC DEVELOPMENT	–	–	35	–	13	–	–	–	–	–	–	–	48	49	52
Vote 8 - TOWN PLANNING	50	–	–	–	–	50	30	20	–	1	3	17	171	174	177
Vote 9 - PROTECTION SERVICES	50	250	148	800	–	950	180	280	35	5	–	–	2,698	2,752	2,807
Vote 10 - COMMUNITY & SOCIAL SERVICES	25	–	420	–	–	19	–	295	50	–	29	449	1,287	1,313	1,339
Vote 12 - CLEANSING & MAINTENANCE	–	78	150	5	380	–	15	13	–	–	30	100	771	650	650
Capital single-year expenditure sub-total	3,640	6,853	12,808	7,955	12,498	6,034	9,611	35,672	4,615	1,506	25,062	12,243	138,497	151,056	166,161
Total Capital Expenditure	3,640	6,853	12,808	7,955	12,498	6,034	9,611	35,672	4,615	1,506	25,062	12,243	138,497	151,056	166,161

Table 32 MBRR SA29 - Budgeted monthly capital expenditure (standard classification)

Description	Budget Year 2012/13												Medium Term Revenue and Expenditure Framework		
	July	August	Sept.	October	Nov.	Dec.	January	Feb.	March	April	May	June	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
Capital Expenditure - Standard															
Governance and administration	3,215	6,525	12,055	6,700	20,080	5,369	1,333	35,064	4,500	1,350	25,000	11,032	132,223	144,213	158,634
Executive and council	3,200	6,500	12,010	6,700	20,000	5,354	1,229	35,000	4,500	1,350	25,000	11,032	131,875	143,833	158,216
Budget and treasury office	15	25	–	–	30	–	78	64	–	–	–	–	212	231	254
Corporate services	–	–	45	–	50	15	26	–	–	–	–	–	136	149	163
Community and public safety	115	279	413	808	136	520	259	108	152	5	29	1,105	3,929	4,285	4,714
Community and social services	25	–	250	–	–	50	–	19	80	–	7	781	1,212	1,322	1,454
Sport and recreation	15	29	–	–	58	100	79	68	36	–	12	288	685	747	821
Public safety	50	250	148	800	–	350	180	–	35	5	–	14	1,832	1,998	2,198
Housing	15	–	–	8	–	10	–	–	1	–	–	5	39	42	47
Health	10	–	15	–	78	10	–	21	–	–	10	17	161	176	194
Economic and environmental services	110	5	185	–	13	300	30	20	–	1	3	143	810	883	971
Planning and development	50	–	35	–	13	50	30	20	–	1	3	17	219	238	262
Road transport	60	5	150	–	–	250	–	–	–	–	–	126	591	645	709
Environmental protection	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Trading services	215	–	–	150	25	–	–	510	–	150	–	46	1,096	1,195	1,315
Electricity	215	–	–	150	25	–	–	510	–	150	–	46	1,096	1,195	1,315
Water	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Waste water management	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Waste management	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Other	–	–	5	292	–	–	–	–	–	–	–	143	440	480	528
Total Capital Expenditure - Standard	3,655	6,809	12,658	7,950	20,254	6,189	1,622	35,702	4,652	1,506	25,032	12,468	138,497	151,056	166,161

Description	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
Capital expenditure on new assets by Asset Class/Sub-class									
Infrastructure	50,368	84,938	43,389	61,118	96,311	96,311	35,255	46,264	51,071
Infrastructure - Road transport	41,314	81,820	34,514	24,512	50,320	50,320	28,395	29,321	31,016
Roads, Pavements & Bridges	41,158	81,820	34,319	22,162	46,994	46,994	25,395	26,156	27,668
Storm water	156		196	2,350	3,326	3,326	3,000	3,165	3,348
Infrastructure - Electricity	3,372	–	4,373	29,756	37,341	37,341	5,052	15,000	18,000
Generation									
Transmission & Reticulation	55		357	25,210	31,681	31,681	850	12,300	14,760
Street Lighting	3,318		4,017	4,546	5,660	5,660	4,202	2,700	3,240
Infrastructure - Water	–	–	–	–	–	–	–	–	–
Dams & Reservoirs									
Water purification									
Reticulation									
Infrastructure - Sanitation	–	–	–	–	–	–	–	–	–
Reticulation									
Sewerage purification									
Infrastructure - Other	5,681	3,118	4,502	6,850	8,650	8,650	1,808	1,943	2,055
Waste Management	3,755	3,118					524	553	585
Transportation	1,927		2,356	5,000	6,800	6,800	500	527	558
Gas									
Other			2,146	1,850	1,850	1,850	784	862	912
Community	14,023	17,367	6,626	17,935	10,833	10,833	24,973	26,478	28,567
Parks & gardens				2,100	2,100	2,100	325	350	378
Sportsfields & stadia	1,829	397	1,003	300	1,038	1,038	4,027	4,339	4,682
Swimming pools							170	183	198
Community halls	1,922	1,887	218	11,800	3,000	3,000	10,476	11,288	12,179
Libraries								–	–
Recreational facilities	7,595	14,266	4,298	338	338	338	2,175	1,913	2,063
Fire, safety & emergency								–	–
Security and policing	1,050			797	461	461	600	647	698
Buses								–	–
Clinics								–	–
Museums & Art Galleries								–	–
Cemeteries								–	–
Social rental housing								–	–
Other	1,627	817	1,107	2,600	3,896	3,896	7,200	7,758	8,370
Heritage assets	–	26	–	–	150	150	250	100	100
Buildings									
Other		26		–	150	150	250	100	100
Investment properties	–	–	–	–	–	–	–	–	–
Housing development									
Other									
Other assets	7,758	6,302	4,562	125,900	70,218	70,218	78,019	78,115	86,373
General vehicles	262	542	315	180	330	330	5,420	3,500	4,000
Specialised vehicles	–	–	1,479	–	–	–	–	–	–
Plant & equipment	956	1,934	1,279	2,630	2,515	2,515	2,311	2,490	2,686
Computers - hardware/equipment	707	339	462	287	327	327	451	486	524
Furniture and other office equipment	1,263	1,432	861	1,042	1,069	1,069	874	941	1,016

Legislation and compliance status

Compliance with the MFMA implementation requirements have been substantially adhered to through the following activities:

1. In year reporting
Reporting to National Treasury in electronic format was fully complied with on a monthly basis. Section 71 reporting to the Executive Mayor (within 10 working days) has progressively improved and includes monthly published financial performance on the municipality's website.
2. Internship programme
The municipality is participating in the Municipal Financial Management Internship programme and has employed five interns undergoing training in various divisions of the Financial Services Department. In the 2012/13 financial year two additional interns will be joining the municipality.
3. Budget and Treasury Office
The Budget and Treasury Office has been established in accordance with the MFMA.
4. Audit Committee
An Audit Committee has been established and is fully functional.
5. Service Delivery and Implementation Plan
The detail SDBIP document is at a draft stage and will be finalised after approval of the 2012/13 MTREF in June 2012 directly aligned and informed by the 2012/13 MTREF.
6. Annual Report
Annual report is compiled in terms of the MFMA and National Treasury requirements.
7. MFMA Training
The MFMA training module in electronic format is presented at the Municipality's internal centre and training is ongoing.

2.8 Municipal manager's quality certificate

I ...Sibusiso Wycliff Mkhize, municipal manager of Hibiscus Coast Municipality, hereby certify that the annual budget and supporting documentation have been prepared in accordance with the Municipal Finance Management Act and the regulations made under the Act, and that the annual budget and supporting documents are consistent with the Integrated Development Plan of the municipality.

Print Name _____

Municipal manager of Hibiscus Coast Municipality (KZN216)

Signature _____

Date _____